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AUTHOR Rodda, Albert S.
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ABSTRACT

This paper traces the development of state and local funding mechanisms which support community college education in California. Part 1 considers the history of California community college finance, looking at California public education in the 19th and early 20th centuries, the development of the state's junior colleges from 1907 to the institution of the Master Plan for Higher Education in 1960, the effects of the Master Plan, and the difficulties experienced by the community colleges in the 1960s and 1970s. Part 2 examines the finances of the community colleges after the passage of Proposition 13 in 1978, describing the financial condition of the system in the post-Proposition 13 period, the enactment of a state financial assistance program to "bailout" the community colleges, and the effects of the 1979 Gann Initiative Amendment, which set a limit on state expenditures equal to the level received in the 1978-79 base years with only small annual adjustments for inflation and population changes. Part 3 focuses on issues currently being considered by the Commission for the Review of the Master Plan for Higher Education pertaining to governance, funding, faculty tenure, and collective bargaining. This section highlights concerns about the erosion of the administrative and governing power of community college district boards; the modification of the current formula for funding and revenue allocation; the implementation of full-time equivalency as a finance mechanism or formula; and modifications in current laws concerning collective bargaining and faculty tenure. (RO)

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Commentary on the History of California Community Colleges

Albert S. Rodda, Ph. D.

April, 1986

EXECUTIVE SUMMARY

The History of California Community College Finance by Albert S. Rodda traces the development of state and local funding mechanisms which support public education. The complex system that has evolved is the result of numerous years of compromise, and changing philosophy with regard to the public's responsibility in funding education.

PART I

California Public Education -- The Beginnings

California public school finance began with the enactment of the state constitution in 1849. As the public education system grew, several methods of finance were eventually adopted in an attempt to keep pace with expansion.

In 1891, legislation was enacted authorizing elementary school districts to unify into high school districts, and by 1902, the constitution was amended to provide state funding for those districts.

However, significant deficiencies in the state's tax and revenue system existed for schools, attempts were made to adjust the inequities, including two constitutional amendments. These were the 1910 Plehn Amendment, which shifted the major support for schools to county revenues including property tax, and the 1933 Riley-Stewart Amendment, which authorized the use of a state sales tax to support schools.

In 1907, to assist students to gain access to higher education, the Legislature authorized high school districts to offer lower division college courses, for which no state financial assistance was provided. The first junior college was established in 1910 in Fresno.

By 1921, the law permitted the establishment of independent junior college districts and limited state financial assistance was available. By the late 1950s, about 70% of the students enrolled in the first two years of college were attending one of the junior colleges.

By 1960, the Legislature initiated a master plan study of higher education. Originally, the junior colleges had been charged with preparing students for university transfer. As a result of the study, vocational and technical programs were officially added to the role.

By the 1970s, the colleges had grown significantly and had become known as community colleges. During these years, the Legislature mandated that the state be divided into contiguous community college districts, so that students in all areas of the state would have access. There are now 70 districts administering 106 community colleges.

Through this era, the colleges continued to be financed primarily by local property taxes, with relatively little state funding. The state funding that was provided was derived from the same Average Daily Attendance (ADA) formula as was used for the kindergarten through high school districts.

The financial theory behind the local tax support was that homeowners and other property owners directly benefited from educating students and from

having schools in the area, therefore, local areas should assume the bulk of the financial support. However, that theory was challenged by those who contended that the entire state benefited from the education of the state's youth, and the state, therefore, should be the primary contributor to education. In the 1960s, the issue reached a crescendo and resulted in the 1971 Serrano-Priest court decision requiring the state to equalize financing of the K-12 districts. The decision did not apply to the junior colleges.

During these years, the state's funding formula for K-14, as it was then referred to, was based on three components: basic aid or ADA, equalization and supplemental aid.

As the community colleges had evolved from the K-12 segment, they continued to be tied closely to it. Both systems were under the jurisdiction of the State Department and Board of Education; both segments were governed by locally elected boards of trustees; and both continued to rely heavily on local property tax revenues.

Master Plan for Higher Education and the State's Junior Colleges

The principle components of the Master Plan for Higher Education submitted to the Legislature dealt with the roles and structure of the University of California and the state colleges. Recommendations with respect to the junior colleges were essentially status quo, particularly with regard to funding formula, role and mission.

Locally elected boards of trustees were retained, but by 1967, the Legislature shifted responsibility for the colleges from the state Department and Board of Education to a newly-formed Community College Board of Governors and Chancellor's Office.

Through the 1960s, the nature of the Board of Governors and state Chancellor's Office was strengthened, authorizing coordinating and advisory powers, as well as a more centralized fiscal operation.

The Master Plan contained a recommendation in 1960 that the level of state financial support increase from about 30%, which prevailed in 1960, to 45% by 1974-75. In the ensuing years, however, the state failed to comply with the recommendation and in the late sixties state financial support was nearly the same, or even slightly lower than it had been at the time of the recommendation.

Community College Difficulties in the 1960s to 1970s

Many problems currently being experienced by the community colleges have a long history. In 1962, a select committee of the Senate Education Committee held hearings on organization, role, structure and financing of the community colleges. Eighteen recommendations for modifying the community colleges were made, of those, 13 were still relevant during the 1986 review of the Master Plan for Higher Education.

From the current master plan review, at least four major reform issues remain: a new funding formula; the role of the Board of Governors; the role of the locally-elected boards of trustees; and the overall programs and mission of the colleges.

One of the most serious problems which developed in the 1970s was competition between the community colleges and the high schools for providing adult, non-credit, vocational and continuing education offerings. The outcome was regional councils which were to determine vocational and technical education needs, and to avoid a duplication of effort. Responsibility for those areas differs significantly around the state. In the 1982-83 fiscal year, SB 851, Alquist, provided equal state financial support, thus eliminating the fiscal incentive for the community colleges to provide such education. However, the issue of duplication and responsibility continues.

Also by the 1970s, there were significant disparities in the levels of both state and local property tax funding for community colleges, and SB 851 included an equalization provision. The goal was to raise all low ADA revenue districts to the statewide average, with a special provision for very small districts.

During the years, the colleges were primarily supported by local property taxes, these disparities and inequities were annoying to educators and legislators, but were still primarily under local control. However, with the passage of Proposition 13 in 1978, the colleges turned to the state and the state has been carrying majority of the financial responsibility for the colleges since. Because of the state's bailout of local government, including the schools, community college finance is a complex mixture of revenues and implementing formulas which are not well understood, even by those in education and the Legislature. However, the state's heavy financial support for the colleges led in part to a call for the reform of the community colleges and the creation of the 1986 review of the Master Plan for Higher Education.

The enactment of Proposition 13 in 1978 had a tremendous and uneven impact on the schools and local government. They lost among other things: approximately 60% of the local property tax revenues; the ability to finance facilities; and authority to increase taxes to finance educational or government operations. Additionally, the bailout provisions enacted by the state were based on expenditures of the previous fiscal year, thus expenditure disparities between districts were locked in at the state level.

In the original Master Plan for Higher Education, the junior colleges were to provide lower division education for 60% of the college students. Today, however, 17 of the community colleges provide the vast majority of transfer students; the programs of the community colleges vary dramatically reflecting the industrial, commerical or agricultural nature of an area. Flexibility, therefore, remains an inherent ingredient in developing colleges appropriate to the needs of our current society.

In the years between the creation of the colleges and Proposition 13, there was a tremendous change in all segments of society. An outcome of the development of the dynamic and shifting society was the recognition by educators and the public of the community colleges' obligation to address the educational needs and requirements of individuals in a volatile and highly technical society.

PART II

Community College Finance, Post Proposition 13 Period

The passage of Proposition 13 may be the most significant change in the

history of California public education. Although only 23% of those eligible to vote voted on the measure, of those 62% voted in favor of it.

Although several modest tax relief measures were adopted by the Legislature in the 1960s and early '70s, the passage of Proposition 13 was the voters response to property tax reform which had taken too long and done too little.

With Proposition 13 looming, the Legislature moved to find responsible alternatives. However, the voters were not aware of the ballot options to Proposition 13, nor the enormous implications that its simple language would entail. By 1979, after allowing "government and the schools to stew in their own juice," an ongoing state financial assistance program was enacted.

Once in place, the bailout program increased state spending from $11 billion to $16.2 billion in one year. At the same time, the Legislature granted tax relief and the public passed two initiatives reducing state revenues even further. By 1983, the state was confronted with a $1.5 billion budget deficit.

When the state bailed out local government and the schools, the effect was to reduce total revenues for community colleges about 8%. The impact was most dramatic for those districts, such as Los Rios, which had maintained a relatively low property tax rate, and thus were operating on a low ADA level which was frozen in by the bailout.

Although some effort was made to correct this, the equalization plan has not been adequately funded and large disparities continue, frequently reflected in compensation for faculty and state. Furthermore, state funding has not increased for community colleges at a rate similar to the other segments of higher education, thus the community colleges have continued to fall increasingly further behind. Also, given the impact of a subsequent initiative, Gann II passed in 1979, the inequities may be extremely difficult to correct in future years.

Given the current lack of interest in increasing community college funding, some serious consequences will confront the colleges in the coming years. The estimated increase in aggregate revenues received by the community colleges since the 1977-78 fiscal year is 39%, while inflation has been 70%.

The Gann Limit and State Revenue Prospects

Revenue reform is one of the key issues being examined by the Commission for the Review of the Master Plan for Higher Education. While a centralized financing mechanism for the system is inconsistent with the historic role and mission of the colleges, the shift of financing responsibilities to the state following Proposition 13 makes it almost certain that the state will be more involved in the control and monitoring of the revenues than in the past.

If the so-called Gann Initiative Amendment, or Proposition 4, passed in 1979 is triggered, detrimental fiscal consequences are bound to occur. That measure, which applies to all state and local governmental agencies, states that no revenues may be spent in excess of the prescribed limit. That limit is equal to the level received in the 1978-79 base years with only small annual adjustments for inflation and population changes. The measure also requires that any excess be returned to the taxpayers within two years. The formula is complex and replete with uncertainties, but its impact would be serious for community colleges, particularly for those that were low revenue

districts at the time of its implementation. As those traditionally low revenue districts have been brought closer to the statewide spending average through equalization, they face the possibility that they will exceed the Gann limit.

The Gann limit emerged because of the public's discontent over government growth in the 1970s. By 1980-81, it became clear that planned state appropriations would trigger the Gann limit and last-minute legislative action in the 1979-80 fiscal year (SB 1426, Rodda) alloted emergency funds to schools for capital outlay. The impact of the Gann initiative was averted, with the Governor signing the legislation just before the final deadline.

In the intervening years, the Gann limit has not posed a serious threat, but once again in the coming fiscal year the Legislature may have to cope with its potential impact. As the state begins to find itself in a healthier fiscal situation, it also moves closer to triggering the Gann provisions.

Thus despite a better state finance position, an increase of services will not be possible at the state level, nor with respect to some local government agencies and some school districts. Consequently, underfunded programs, such as those in the community colleges, will remain that way. The fiscal situation for the community colleges remains at best, uncertain.

PART III

Master Plan Revision: Funding, Governance, Tenure and Collective Bargaining

Among the key recommendations to the Legislature from the Master Plan for Higher Education are those pertaining to governance, funding, faculty tenure and collective bargaining.

Governance

Community college district boards have experienced an erosion of administrative and governing power because of the effects of Proposition 13. In losing the power to raise revenues locally, they became more dependent on the state and Legislature for funding. With that shift of power has come more state direction and control, with the Board of Governors currently the focal point of this interest. However, if a transfer of power and responsibility is undertaken, caution must be exercised to assure thorough communication and input from local districts, perhaps through a coordinating council representing the independently elected trustees.

At present, the only meaningful governance option is to enhance the power and ability of the Board of Governors and Office of the Chancellor so that they may work more effectively with the locally elected boards in the design and administration of an educational program which services both the needs of the state and the local areas.

Among the areas which might be delegated to the Board of Governors are establishment of access criteria; criteria for offering non-credit courses; a plan for providing non-credit services; and standards for matriculation, articulation, remediation, vocational and academic offerings.

In any restructuring of the Chancellor's Office and Board of Governors, there needs to be a clear delineation of role and responsibilities, and such a restructuring is bound to be controversial.

Funding Formula and Revenue Allocation

Closely related to govenance reform is the modification of the funding formula and legislative process which determines allocations. A significant departure from the current ADA mechanism will change the current decision-making structure and has the potential for shifting to a centralized community college administration.

Currently, there are two basic apportionments: ADA or base apportionments and categorical aid programs. In 1985-86, the total ADA apportionment was approximately $1.098 billion and $90 million for categorical funds.

The ADA approach is under criticism, partly because it deprives the state of meaningful control over community college expenditures, partly because of the inequity in the distribution of those state funds, and partly because of serious problems faced by districts in adjusting to ADA declines.

One alternative which must be given serious consideration is a combination of the Full Time Equivalent (FTE) factor and differential funding, a funding combination very similar to that currently used by the other segments of higher education.

FTE is the dollar amount allocated to finance educational programs as measured by the number of units in which students are enrolled. The ADA formula which is based on the number of class hours students are enrolled under direct supervision of a certificated instructor.

Shifting to an FTE and differential funding combination offers various options. First, it would be necessary to determine the allotment categories. One suggestion includes six categories: Instruction, instructionally-related services; administration; library services; student services; and facilities operation and maintenance. Second, the basis for the allocation would need to be determined with instructional load or FTE, the critical factor. Finally, an additional small school supplementary fund might be established. One caution is that special educational interests within the community colleges might vie to increase the number of categories to their benefit.

Already, the other segments of higher education are significantly more directly involved with the Legislature and the Governor with respect to the determination of their overall budgets. The state also makes the final determination with respect to budget appropriations for employee salaries and benefits.

Collective bargaining was all but totally rejected by the U. C. faculty and 26 units represent other University of California employees statewide. In the CSU system, however, all employees elected to negotiate according to the provisions of the Higher Education Employment Relations ACT (HEERA) and the bargaining units are all statewide in their representation.

In both systems, bargaining units are authorized by the Public Employees Relation Board (PERB) and negotiations are conducted by the representatives of the employee group with the Department of Personnel Administration representing

the Governor. The negotiated agreement is placed in a Memorandum of Understanding (MOU) which is submitted to the Legislature.

Implementing a similar system for the community colleges would be tremendously complex because of the number of colleges, differences in current salary and benefit packages, different funding levels of the colleges, and once again an increasing impact of local property taxes on district funding.

In today's community college budgeting, the Legislature and Governor determine the total appropriation per ADA for educational services and the funds to be allocated to several categorical programs such as capital outlay, and equalization. The revenues received by the local districts are appropriated by the boards of trustees, subject to whatever state controls are involved in the categorical and special apportionments.

The new plan--with FTE and differential or categorical areas--would be allocated through the Office of the Chancellor. It also might be expected that if closely drafted, funding restrictions are developed and implemented, the Legislature and Governor will determine to a greater degree than currently how apportionments will be allocated to and by the districts for instructional programs and other categories. If this does not occur, then the differential funding approach will function so loosely that it is questionable whether or not it will serve the objectives envisioned for it. There are, however, many intricate questions which the suggestion of funding by FTE raise. Centralization of funding and expenditure allocations, it seems, is the logical step to take in the elimination of local employer-employee negotiations. And any determination to reject such an eventuality will require, it seems, the preservation of local district autonomy and the issue will be substantive, complicated and controversial. Centralization will dramatically change the image and character of the state's long-established Community College System. The achievement of that goal may require incremental change, but the control change will not be recognized as incremental.

Assuming that a move toward centralization will occur, the question might be asked: Will such enhanced control by the Legislature and the Board of Governors prove more effective and insightful in understanding and responding to the educational needs of the community colleges with their wide diversity of programs and students? Only time will provide the answer.

Collective Bargaining and Faculty Tenure

Among the discussions resulting from the review of the Master Plan for Higher Education are proposals for significant modifications in the community college collective bargaining and faculty tenure provisions.

If community college faculty and staff are withdrawn from the provisions of SB 160, Rodda, the option under consideration is the Berman Act. Such a change would be likely to result in a statewide salary and employee fringe benefit program and a transfer of collective bargaining negotiations to the state level. That is the procedure for the other two segments of higher education.

Also under discussion is the idea of removing the faculty from the state tenure act for community colleges. The act, SB 696, Rodda-Stull, authorizes community college governing boards to terminate probationary teachers "without

cause" after the first year and to grant tenure after the first or second year of employment, and authorizes an arbitrator or state hearing officer to make the final decision thus eliminating the historic role of the Superior Court.

The act also prescribes evaluations. If community college faculty are given the responsibility for evaluating their colleagues, as occurs in the other segments of higher education, community college instructors can expect a dramatic change in their current employment status with regard to academic r king, promotions, merit pay and other conditions.

Given the complexity of the current situation which confronts the community colleges, their funding and governance, it seems appropriate to evaluate each of these aspects of community college education most carefully. Caution should be exercised in any action taken which is designed to modify or change the historic governmental structure and funding formula. It is recognized that the community colleges have served the state, local communities, and the students, well. Change for the sake of change should not be the agenda. Change should be achieved only if it is constructive--enabling the community colleges better to implement their goals and objectives which have developed over time in response to California's changing society without careful and indepth study and evaluation of the changes which will result from such a transition..

It is inappropriate to attempt dramatic changes as related to tenure and collective bargaining. The original Master Plan legislation contained no provision for or reference to either tenure and collective bargaining, and the legislation implementing that plan, known as the Donohoe Act, would have met serious opposition in the Legislature had those issues been included. If changes are regarded as worthy of consideration, that consideration should not be undertaken until and after the core issues of funding and governance are addressed.

Conclusion

The current community college system responds to the state's diverse character in terms of population, geography, density, economic needs, minorities, and local educational philosophy and interest. The choice before the Legislature is not between a rigid centralized system or a potpourri of local entities. There is instead the opportunity to change and improve the system while preserving the essential ingredients which serve the unique and essential educational needs of divergent communities, and yet respond to the changing educational goals and objectives of the state.

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COMMENTARY ON THE HISTORY OF CALIFORNIA COMMUNITY COLLEGES

By

Albert S. Rodda, Ph.D.

April, 1986

HISTORY OF CALIFORNIA COMMUNITY COLLEGES

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INTRODUCTION

This paper is resulted from some extemporaneous remarks made at a Los Rios Board of Trustees meeting. One of the members suggested that I incorporate my remarks in a paper for use by the members. The result is this presentation in which I have undertaken to outline the history of the community colleges and to evaluate the potential changes which may result from the Review of the Master Plan for Higher Education.

Background of Writer

AA Degree from Sacramento Junior College

Graduate of Stanford University

Instructor--secondary, community college, and university levels, 1934-1985

State Senator, 1958-1980

Member of Los Rios Community College District Board of Trustees, 1983 to Present

PART I

HISTORY OF CALIFORNIA COMMUNITY COLLEGE FINANCE BEFORE PROPOSITION 13

The California Community Colleges began as an extension of the public education system, K-12, in 1907. At that time, the California schools, K-12, were financed primarily from local property tax revenues which were modestly augmented by the state with revenues derived from a statewide property tax and other state revenues.

California Public Education in the 19th Century and Early 20th Century

The Constitution of California of 1849 established a perpetual fund which was dedicated exclusively to the support of the state's "common schools." The fund derived its revenues from two sources: the proceeds from the sale of public lands granted the state by the federal government upon the admission of the state into the union, and income from the sale of the estates of deceased citizens who had failed to write personal wills. The revenues which supported the fund proved inadequate and the Legislature, therefore, augmented the indicated revenues largely through enactment of a statewide property tax.

Even so, there were negatives and the financial support proved inadequate as the need for public education was more clearly recognized and the public education system was expanded. The lack of adequate financial support was made more evident when the state constitution was revised in 1879, as an outcome of a comprehensive study engaged in by a Constitutional Revision Commission. The revised constitution, unfortunately, denied state financial support for public high schools which made them totally dependent upon local tax resources, principally the property tax. Despite this provision in the constitution, new high schools were established and in 1890 there were twenty-nine communities which had taken such action. In 1891, legislation was enacted which authorized two or more elementary school districts to form a union high school district as a means of providing high school education for the elementary school students who had completed an eighth grade education. A proliferation of high schools occurred, and in 1902 the constitution was again amended to provide for the allocation of state revenues for the support of high schools. In 1909, legislation was enacted which prohibited tuition charges for students enrolled in public high schools and the records show that there were 214 high schools operating in California, a growth which clearly indicated the positive interest of California citizens in public education.

It was generally recognized, however, that significant deficiencies in the state's tax and revenue system existed, inadequate revenues and tax inequities, and there was a demand for reform. The result was the creation of a commission to evaluate the state's fiscal situation and to recommend changes. Its substantive recommendations led to the Plehn Amendment which was approved by the voters in 1910.

The Plehn Amendment provided for the state's abandonment of the statewide property tax, and a shift of the financial support of the schools significantly to the local property tax and to tax revenues derived by the state from newly

authorized revenue sources, including a countywide property tax. The new revenue sources utilized by the state, including a tax on business enterprise and personal inheritances, proved inadequate and during the twenties there developed an interest in school finance reform. The outcome was voter approval of an amendment to the constitution in 1933, known as the Riley-Stewart Amendment.

The Riley-Stewart Amendment authorized the enactment of a state general sales tax and eliminated the state countywide tax for school support. The amendment provided that state sales tax revenues were to be primarily dedicated to the schools, though the language was somewhat vague and has been subject to different and controversial interpretations.

History of the Junior Colleges from the Beginning in 1907 to the Master Plan for Higher Education in 1960

In the early years of this century, the public became concerned over the limited opportunity for high school graduates to pursue higher education, a problem significantly related to the small number of institutions of higher education. There were two campuses of the University of California at the time--Berkeley, and the agricultural school at Davis. This placed a serious restriction upon those seeking higher education. The state colleges at that time were two-year normal schools or teacher preparation institutions under the administration of the State Department of Education and the State Board of Education. By the 1930's, they had became four-year colleges, and state colleges were located in Los Angeles, San Jose, Santa Barbara, Fresno, Arcata, and Chico.

To assist high school graduates gain access to higher education, the Legislature in 1907 enacted legislation which authorized high school districts to offer lower division higher education courses. No state financial assistance was provided. The programs were fully funded from local property tax revenues and instruction was strictly limited to academic courses which were required for student transfer to the state's higher education institutions--public and private. The first junior college established under the provisions of the law was in the City of Fresno in 1910 and it was part of the Fresno High School curriculum.

In 1917, the state initiated a program of modest state financial assistance to junior colleges. In 1921, the law was amended to permit the establishment of independent junior college districts. In the late fifties, the junior college system was well established and about 70% of California students enrolled in the first two years of college education were in attendance at local junior colleges.

The history of the origin of the Los Rios Community College District is interesting. It began in 1916 as a department of the Sacramento Senior High School. In 1922, it became a separate junior college district, known as the Sacramento Junior College. A further change occurred in 1936 when it became a part of the Sacramento City Unified School District. In order to establish the Los Rios Community College District, Sacramento Junior College was separated from the Sacramento City Unified School District in 1965 and merged with American River College, which had begun in the late thirties as Grant Technical College. A separate board of trustees was created to govern the new district.

Recognizing that the largely locally financed junior colleges were providing an important and growing educational service which was of state significance, efforts were made in the Legislature in 1957 and 1959 to increase the level of state financial support, the goal being 60% of operating costs and all of the capital outlay expenditures. The effort failed and the outcome was the initiation of the Master Plan Study of California Higher Education, including the junior colleges.

Another factor which led to the Master Plan Study of 1959 was that there were more than a dozen concurrent resolutions under consideration by the Legislature which called for the creation of new campuses of the University and the State College systems in various areas of the state. Regional competition was serious and the legislators concluded that they lacked the knowledge and special information necessary to determine to what extent new campuses should be constructed and where they should be located. Its inability to respond to this demand in a knowledgeable manner encouraged the Legislature to support a master plan evaluation of higher education.

Recognizing the need of the Legislature for responsible and independent counsel with respect to higher education, the Legislature created the Coordinating Council for Higher Education as part of the master plan legislation. The Council was to be an advisory agency only, but, because of its membership, it appeared, from the perspective of some observers, to be dominated by the institutions of higher education. In 1974, a new advisory group was established--the present California Postsecondary Education Commission, also established as an advisory research agency.

At that time the state colleges and junior colleges were subject to the State Board of Education and the State Department of Education. Only the University had its own governing board, the Board of Regents, which was granted significant autonomy under the California Constitution. Because of that autonomy the Board of Regents was significantly involved in the governance and administration of the University--allocation of financial resources, determination of employee compensation, curriculum development, graduate programs and university research. The state colleges had broadened their curricular offerings and were no longer strictly teacher training institutions, or normal schools. Though state college graduate education offerings were strictly limited, there was a strong determination on the part of those in the state college system to move significantly into graduate education in competition with the university, another factor in promoting the study of higher education.

Under the provisions of the master plan legislation, the governance of the state colleges was transferred from the State Department and Board of Education to an independent Board of Trustees and a Chancellor, and the role of the state colleges was enhanced through legislative authorization to grant graduate degrees equivalent to the Masters and to offer a wider range of courses in the state college curriculum. The doctorate was denied, unless in cooperation with the University of California, and professional degrees in medicine, law, dentistry, etc. were made the exclusive responsibility of the University.

The original purpose of the junior colleges, as previously stated, was to prepare students for transfer to institutions of higher learning, public or private. The introduction of vocational and technological education programs significantly broadened the role of the junior colleges and in the early seventies, they became known as community colleges, as they were expected to

provide the educational services needed in the communities they served. In many respects the Sacramento Junior College was typical during this transformation. In the late twenties and during the thirties, the college was primarily involved in the education of students in academic areas essential for transfer to the state's institutions of higher education. The emphasis significantly changed in the next three decades, and today the majority of students enrolled in Sacramento City College are involved in technical and vocational education, though the academic transfer program is important and a significant aspect of the curriculum of the college.

I analyzed the Sacramento Junior College graduating class of 1931 in order to determine their educational goals, as stated in the College's annual, "The Pioneer," for June of that year, and determined that 64% expressed the intent to transfer, 28% expressed an interest in attending a teacher training institution, and 6% indicated an interest in pursuing a career in the arts. Approximately 2% expressed no specific educational goals and seemed oriented toward business or commercial writing. An evaluation of the class which graduated in 1963 indicated that 24% were planning a transfer career, 10% were interested in teacher training, 26% were planning to pursue a business career, 6% were oriented toward vocational and technical education, and 8% stated an interest in cosmetology and nursing. The remainder, about 16%, expressed no commitment. This transformation reflected the changing character of the junior colleges, not only in Sacramento but statewide, and an orientation of the curriculum towards meaningful programs designed to meet the employment interests of the students and the employment needs of the community.

The colleges continued to be principally financed from local property tax revenues, since the schools were created in response to local educational needs and were operated by local school boards, most of them unified school and high school district boards. The financial support from the state was relatively low and the state formula for funding was essentially the same as that used for K-12, Average Daily Attendance (ADA). This formula was the logical one, since the junior colleges had begun operating as appendages to high school and unified districts. No changes were implemented when independent junior college districts came into being and were placed by law under the control of the State Board of Education and the Department of Education.

From time to time during the forties and fifties the level of state financial support was increased but not adequately to compensate for the impact of inflation on real estate values and, thus, the junior colleges became more and more dependent upon local revenues for their operation. Known as "slippage," it occurred when, absent an appropriate increase in the state's funding support per ADA, the costs of education shifted to the property tax when real estate development occurred and property values rose, even though the school tax rate remained constant. Because the state's General Fund apportionments to the schools automatically declined, the local property tax provided a greater proportionate share of local school district's operating costs. This shift was of regular occurrence and, therefore, a constant annoyance to the public schools.

The justification for the significant reliance upon the property tax to finance public education was the "benefit theory" of taxation, which essentially was that the homeowners and other property owners benefited from the education of the community's youth and the location of schools in their neighborhoods and, therefore, should assume the costs. Another perspective was the concept of

"spillover benefit." The advocates of this viewpoint contended that residents of other areas also benefited from the education of the state's youth and that they should, therefore, contribute to the cost of education through appropriate state financial support. This issue became acute in the fifties and sixties, and an exasperation and dissatisfaction with the funding system began to emerge--the concerns were the inadequacy of state support and the gross inequities in the level of funding experienced by various junior colleges statewide.

The result was that serious efforts were made by the Legislature to reform the school finance law, K-14. The most controversial proposal was to reenact the county property tax as a means of providing additional funding and also as a method of reducing the serious funding disparities in public education. This effort failed because of the opposition of special interest groups which would have experienced a property tax increase. The problem continued through the sixties and a significant outcome was the Serrano-Priest Decision in 1971, which applied only to K-12 education and did not include the junior colleges.

During the seventies, the number of junior colleges increased and a large number of independent junior college districts came into existence. Recognizing the growing need for junior college educational programs in vocational and technical education and to provide academic transfer education for a rapidly increasing number of high school graduates, the Legislature finally mandated that all areas of the state be served by junior colleges, requiring also that junior college districts include only areas located within the district boundaries. One district violates this mandate, the Peralta Community College District in Oakland, which had earlier established a college campus in Quincy, Plumas County. Today there are seventy independent community college districts in the state and they administer one hundred and six college campuses.

While these significant developments were occurring, the junior colleges continued to be funded through the historic ADA allocation formula. In 1963, the junior college foundation expenditure level was established at $570 per ADA. For high school districts it was $329 and for elementary school districts it was $239, not including supplemental funding for necessary small school districts. Adult education was funded at $390 per ADA at the junior college level and at the high school level it was $310. This offered financial inducement for the junior colleges to offer non-credit adult education classes in competition with the local high school districts.

The funding formula for education K-14, was complicated and controversial. State aid had three components: basic aid, equalization aid, and supplemental aid.[1] It consisted of a basic aid apportionment, equal to $125 per ADA for all school districts, and an additional apportionment, known as equalization money, which varied in amount, depending upon three factors: (1) the assessed value per ADA in a district; (2) a computational tax rate provided in the school finance law; and (3) the foundation level of expenditure per ADA, also determined by statutory law. The foundation level was regarded as appropriate for a district to finance an adequate educational program. The computational tax was a tax rate applied to a district's assessed value in order to determine the amount of money that a district which chose to apply the computational tax would receive from local taxpayers. That amount was compared with the foundation expenditure level, and if it provided less than the foundation amount, the state

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[1]The computational tax rate for junior colleges was $.25, for high school districts, $.50, and for elementary school districts, $.60.

paid the difference, after deducting the basic aid, or $125 per ADA allocation. Obviously, if it levied the computational tax, a wealthy district would generate more revenue than the foundation expenditure level and it would receive no equalization, only the basic aid apportionment of $125 per ADA. A poor district would generate less than the foundation level and would receive the difference between what the computational tax would raise in revenue and the foundation expenditure level. Known as equalization money, it varied, depending upon differences in assessed value of property per ADA. A district could levy less than the computational tax or a higher tax rate known as an override tax. Unless it was a very poor district, it would receive only the equalization money. Very poor districts, of which there were not too many, received supplemental aid.

It is obvious that through their development in California, essentially as extensions of the K-12 segment of public education, the junior colleges have experienced an historic liaison with that segment of education. The school funding formula was essentially the same in concept and application and, in addition, the two systems were under the jurisdiction of the State Department of Education and the State Board of Education. Furthermore, both segments were primarily dependent upon the local property tax for revenues and were governed by locally elected boards of trustees.

It is interesting that the early sixties were years of program expansion. This reflected the growing momentum to provide equal education for all, the average, the superior, the disadvantaged and the disabled child. In addition, there was an awareness of the need to reform the school finance structure in order to provide greater equality in the level of expenditures and the property tax payments within the state. The goal of enrichment of educational program offerings was well received, but the effort to initiate school finance reform experienced little success, especially with respect to the implementation of a countywide or statewide school property tax. Had the funding reform been implemented significantly, there is reason to believe that there would not have been an effort to involve the judiciary, an approach which produced the Serrano-Priest Decision.

Master Plan for Higher Education and The California Junior Colleges

When submitted to the Legislature for its consideration in 1960, the Master Plan included the state's junior colleges, although the principle focus was upon the mission and governmental structure and organization of the University of California and the California State Colleges. Actually, the recommendations with respect to the junior colleges were essentially that the status quo be maintained. Control was to remain with the State Board and the State Department of Education and funding to continue on an ADA basis. The proposals for the other segments were ultimately embodied in SB 33X, Miller-Rodda, and enacted in the 1960 Special Session. The Donahoe Higher Education Act was named in honor of the late Assemblywoman Dorothy Donahoe, who had chaired the Assembly Education Committee and was significantly involved in developing the Master Plan legislation.

The principle recommendations, as they related to the junior colleges, were:

(1) local governance to remain with locally elected boards of trustees;

(2) the State Board of Education to prescribe minimum standards for the formation and operation of districts and to exercise general supervision over the junior colleges, as prescribed by law;
(3) local junior colleges to offer instruction through, but not beyond, the fourteenth grade level, including, but not limited to, one or more of the following: (a) standard collegiate courses for transfer to higher institutions, (b) vocational and technical instruction leading to employment, and (c) general or liberal arts courses.
(4) appropriate achievement in these areas of instruction by students to be recognized through the granting of an Associate in Arts or Associate in Science degree.

Included in the recommendation was the following language: "Nothing in this section shall be construed as altering the status of the junior colleges as part of the Public School System as defined elsewhere in the constitution."

By virtue of this language, the junior colleges were essentially assured a status quo position with respect to three essential areas: governance, educational role and mission, and funding formula. Junior college financing, therefore, remained significantly comparable to that of K-12--local property tax revenues, as the principle source, and state funding based on an ADA formula, including adult education.

It is noteworthy that the Master Plan did recommend, as a means of raising standards of admission to lower division classes, that the state colleges accept first-time freshmen students from the top one-third of the high school graduates and that the universities limit their admission to students who performed in the top one-eighth of all high school graduates. This recommendation was not made a part of the Donahoe Master Plan legislation, but it did reflect the thinking and recommendations of the review team. At one point, it is interesting to note, the review team seriously considered eliminating all lower division courses within the university system. This concept was highly objectionable to the Board of Regents and was abandoned in favor of the one-eighth recommendation.

It was clear to those involved in developing the Master Plan that implementation of its recommendations would result in increased enrollments in the academic or transfer areas of instruction in the junior colleges and it was proposed, therefore, as a means of offsetting the added cost burden upon local property owners, that the state increase its apportionments to the junior colleges from approximately 30% of total costs to 45% by fiscal year 1974-75. Despite this recommendation, little change was achieved with respect to the state's share of junior college funding. This recommendation was made in 1960 and six years later, in 1966, the Coordinating Council for Higher Education in its review of the Master Plan indicated that the state's level of financial support was essentially the same as that which prevailed in 1960--if anything, slightly lower or below 30%.

The junior college system continued to expand both in student enrollments and the number of college districts. Students were expected to attend school in the district in which they resided, though the law did allow some flexibility by permitting districts to enter into agreements with other districts to accept non-resident students if the local costs were paid by the district of residence. This is a controversial issue today and the Legislature is considering the elimination of this attendance restriction.

In the mid-sixties, the Legislature became concerned about the governance of the junior colleges and that concern led, after several interim hearings, to the enactment of the Stiern Act in 1967, which created the Board of Governors for the Community Colleges and removed the junior colleges from the jurisdiction of the State Board and the State Department of Education. The newly created Board of Governors was granted nominal powers and was instructed to maintain and continue the local autonomy of local junior colleges. Two years later legislation was enacted which clarified the role of the Board and gave it the power to coordinate and advise the independent junior college districts and to establish standards and administer certain functions and state programs. The statute also clarified the role of the independent boards and assigned them the responsibility of directly administering and operating the junior colleges, in accordance with the requirements of statutory law and appropriate actions taken by the Board of Governors. The board, through its staff responsibilities, was authorized to function as the central fiscal office of the system. Administrative direction was to be provided by the Community College Chancellor, who was to be appointed by the Board of Governors. The elected district boards retained their autonomy under the legislation; had this not been assured, the legislation would have been vigorously opposed and, in my opinion, defeated.

Problems Experienced by the Junior Colleges in the Sixties & Seventies-- Fiscal, Goals and Objectives, and Governance

This change brought about a new era in the development of the community colleges and it quickly became clear that the Chancellor had an almost insurmountable task--that of gaining the unified support of 70 independent junior college districts on crucial problems, since they were often viewed from different perspectives by the separate districts. Significant issues emerged which related to non-credit adult education, community college funding, disparities in district funding levels, and curriculum development and implementation. These issues confront the system today and will require constructive cooperation as an alternative to irresponsible non-cooperation by the separate and independent districts if they are to be meaningfully addressed.

Many of the problems being experienced by the community colleges today are not new to the system. In 1962, an interim hearing was held on the role, organization, governmental structure and financing of the junior colleges by a Select Committee of the Senate Education Fact Finding Committee.

Eighteen recommendations for modification of the junior college system were submitted to the Select Committee by A. Alan Post, the Legislative Analyst, for consideration by the members. The following, thirteen of the eighteen, are relevant because they have significance for the current evaluation of the community college segment of post-secondary education:

1. Elimination of the statutory $5.00 portion of the $125 basic aid support.
2. Utilization of the state's level of financial support for lower division educational courses offered by the University of California and the State University Systems as a criterion for determining the junior college foundation expenditure level.
3. Authorization of a study to determine the feasibility of utilizing a statewide property tax as a means of financing junior colleges.

4. Establishment of a meaningful ratio of state to local financing for all segments of public education, K-14.

5. Implementation of a minimum fee for full-time students to cover the costs of auxiliary services.

6. Establishment of a minimum tuition of $5.00 per course unit for all students who had completed the Associate of Arts or any higher degree.

7. Improvement of scholarship standards for high school graduates and all students desiring to pursue a transfer program and the establishment of statewide standards of performance.

8. Limitation of remedial education enrollments to a maximum of 2% of ADA and the establishment of admission standards by the State Board of Education for students who had not obtained a high school diploma.

9. Development of articulation agreements between the two other segments of higher education and the junior colleges with emphasis upon the maintenance of meaningful academic standards at all junior colleges.

10. Creation of a state Occupational Education Standards Commission to establish and approve all junior college degree or certificate occupational programs.

11. Transfer of the responsibility for the administration of junior college and high school adult education programs to the County Superintendent of Schools so as better to utilize facilities, avoid duplication of services, and enlarge school service areas.

12. Authorize the State Board of Education to approve graded courses provided for grades 13 and 14.

13. Maintain junior college dependence upon the local property tax base for capital outlay needs, while liberalizing the standards for state assistance when authorized.

It is clear that many of the concerns over the status of junior college educational programs that prevailed at that time remain a concern today.

No meaningful action was taken to implement the Post recommendations and problems continued to develop during the seventies with respect to the junior colleges. One of the most serious was the competition between the community colleges and secondary school districts in the area of adult, non-credit vocational and continuing education. The outcome was the creation of Regional Adult Vocational Education Councils which were assigned the responsibility of determining the vocational and technical educational needs of the various regions in the state and establishing the criteria for the implementation of appropriate educational programs in such a manner that duplication of offerings would be avoided and adequate and efficient utilization of existing educational facilities would be assured.

The Regional Adult Vocational Education Councils (RAVAC) in the Sacramento and Los Angeles areas reached an agreement under which the Los Rios and Los Angeles community college districts would allocate the responsibility for adult, non-credit vocational education to the secondary school segment. Some secondary schools have selected not to offer such courses and they are, therefore, the responsibility of the community colleges serving the areas of Santa Barbara, San Francisco, and San Diego.

In some of the other regions of the state there remained a duplication of services. For a number of years it was a controversial issue and an effort was made to resolve it by the Legislature in 1982 with the creation of a special commission, chaired by former state Senator Peter Behr, to study the problem. The result was a legislative proposal, introduced by Senator Alan Sieroty, Chairman of the Senate Education Committee, seeking a substantive and controversial reform. After being drastically amended, the legislation was abandoned by the author. The duplication of services remained an issue, since two segments were offering essentially the same educational services. With the enactment, however, of SB 851, Alquist, in 1983-84, (a major community college finance bill) provision was made for the same level of financial support for the two programs. This eliminated the fiscal incentive for community colleges to provide such education; however, the issue remains a problem, since some of the secondary schools desire to shift the responsibility to the colleges because of the administrative and cost problems relating to the program offerings.

Despite the fact that the community colleges were financed in essentially the same manner as the elementary and secondary schools, the Serrano-Priest Decision did not apply to that segment of education. Community college education was purely voluntary and was not interpreted by the courts to constitute a "fundamental interest," which was the basis upon which the Seranno-Priest Decision was upheld by the California Supreme Court with regards to grades K-12. Absent a court mandate, it was difficult to achieve reform in the financing of the community college segment of public education.

In the seventies, there were substantive disparities in the level of funding among the community college districts and there were also property tax disparities, though the resultant inequities were not of the serious magnitude that prevailed with the K-12 segment. Efforts were made by the Legislature to achieve greater equalization in the level of funding for the community college districts, and an appropriation of $10 million was included in SB 851 to fund an equalization provision. The money was vetoed by Governor Deukmejian because of the budget crisis confronted the state. The equalization formula remained in the law, however, and because of its effect, the funding disparities which prevailed among the community colleges have been reduced substantially, if one does not include the ADA funding for small college districts in the data. The goal of the legislation was to raise all low ADA revenue districts to the statewide average, excluding from the data, of course, the small enrollment districts--below 3,000 ADA.

ADA expenditure differences were not the only differences among the community colleges. There were, and are today, substantial differences in district salary schedules, the number of full-time versus part-time faculty, curricula offerings, non-credit education, and vocational and technical education.

Since the community colleges were substantially financed from the local property tax until 1978, the year of the "Proposition 13 bailout," the disparities or inequities were annoying to educators and legislators, but, given the substantial level of local property tax financing and the local autonomy exercised by the district boards, the annoyance did not attain a severe level of frustration and anger.

As a consequence of Proposition 13, however, that attitude changed, largely because of the substantial shift of the financial support resulting from the bailout action of the Legislature and the impact of AB 8, which transferred about $800 million in property tax revenues from the schools, K-14, to other

segments of local government. When the supplementary property tax legislation was enacted, the increase in property tax revenues was allocated to the schools; however, subsequent legislation has provided for the distribution of the funds among all agencies of local government, including the schools, which again experienced a transfer of local property tax income to local governments. Because of these actions, the schools, including the community colleges, are significantly financed by state revenues if federal categorical aid funds, student tuition and lottery revenues are disregarded. Today, the Legislature is more sensitive to the problems relating to the community colleges and the heavy burden of the system upon state revenues, and is demanding, therefore, a reform of the community college system. The current review of the Master Plan for Higher Education, with a principle emphasis upon the community colleges, is a response to that concern. Significant issues related to the "mission" of the community colleges, the funding formula or mechanism, the status of the Board of Governors, articulation with the other segments of higher education, adult vocational education at the community college level, matriculation of secondary school graduates, remedial instruction, community service educational programs, and, of course, the significant differences in ADA expenditures have come under close scrutiny and evaluation.

From my perspective, the orientation towards change embodies four very crucial issues. The first is a new funding formula, and the so-called Differential Funding approach is being given serious consideration. The second is the role of the Board of Governors, and there is a bias to make it more comparable to the University Regents or the State University Board of Trustees. The third, of course, relates to the autonomy of the independent community college boards of trustees, and the fourth is the role of the community college mission, and will focus upon articulation and matriculation, community service programs, adult education, and related subjects.

Before discussing the current problems which relate to the formula for funding the community colleges, it is appropriate to clarify the confusion which relates to the community college funding situation. Because of the state's bailout of local government, including the schools, K-14, after voter approval of Proposition 13, community college financial support became a mixture of local and state revenues which is complex and not well understood by many of those who are involved in the educational and legislative process.

It is obvious that there must be a clear and meaningful understanding of the historic change in the role of the community colleges and also the change that has occurred in the funding mechanism if appropriate action is to be taken with respect to the manifold problems confronting this segment of education. As previously noted, when the junior colleges were authorized under statutory law, they were extensions of the secondary system and were established primarily to provide transfer education to high school graduates. It was not until the state constitution was amended in 1902 that state funding for high schools was authorized and state funding for junior colleges was not provided until the enactment of legislation in 1917. Prior to these actions, total funding for these two segments of education was the obligation of the local property taxpayers, though both segments of education, especially the junior college, were recognized as very important to the state.

Initially, junior colleges provided transfer education and there was little justification at that time for vocational or technical education at the junior college level. American society was still a relatively simple one. In 1917, for example, very few families owned automobiles, few owned radios, none owned

television sets, and only a few possessed typewriters. Those involved in construction as skilled laborers worked primarily with hand-powered tools. The airplane had not been developed as a commercial means of transportation. Private residences did not have electric refrigerators--ice boxes only--and the private stall shower was just coming into use. Electric street cars were primarily relied on for local public transportation, and the diesel engine was in the stage of early development. The railroads, therefore, were largely served by steam engines, as were riverboats and ocean ships. Because of these conditions, it was not necessary to implement substantive vocational and technical education courses at the high school or junior college level. As previously commented, the first highly technical vocational education programs were not introduced into the junior college curriculum until the thirties and they were designed to address the labor market in communication, aeronautics, auto mechanics and the construction crafts.

As modern man, "homo faber," a term I use instead of "homo sapiens," expanded his capabilities for the development of technical equipment and consumer products, the demand for the junior colleges to serve the needs of the local employment market expanded. And so the areas of junior college academic transfer programs became relatively less important, not unimportant, just relatively less important. Also during these years, the forties, fifties and sixties, living standards improved because of a significant enhancement in economic productivity. Citizens began, therefore, to experience higher standards of living which meant that they were blessed with discretionary income--income in excess of the need for basic services and goods. So citizens began to enroll in classes that enabled them to achieve greater personal fulfillment--the arts, sports, etc. Furthermore, because of rapid industrial and technological innovation, old skills became obsolete or required updating. This change in the economy generated a need for adults to return to school, especially at the junior college level, and adult returnees, therefore, have become a greater percentage of college enrollment. Also, because it is more and more difficult in our complicated and technical society to make a final decision with respect to one's personal career, original career decisions in education have became more subject to modification as young adults gain experience and become mature and more familiar with the employment market and their personal needs. This, too, has increased the number of returnees, "retreads," as I referred to them when I taught at Sacramento Junior College in the forties and fifties.

An outcome of the development of a dynamic and changing society was that the public and educators recognized the obligation of the junior colleges to address more adequately the educational needs and requirements of our more volatile and highly technical society. The recognition of this reality led to the creation of our statewide system of junior colleges and the transformation of the junior colleges into "community colleges" which were purposefully assigned the responsibility of serving the local communities in which they were established, by providing education in academic or transfer subjects and in the relevant vocational and technical skills, as well as in the arts and other areas of personal enhancement.

It is interesting to observe that despite these changes and the increased educational responsibilities imposed upon the colleges by the state, the Master Plan recommendation of a proportionately higher level of state funding did not materialize and the community colleges remained, therefore, significantly funded from the local property tax.

At this point, enters the Jarvis-Gann, Proposition 13 initiative, which the voters approved on June 6, 1978. The fiscal consequence was that the schools and local governments lost:

- o approximately sixty percent of their property tax revenues,
- o the ability to finance needed structural facilities,
- o authorization under the law to increase property taxes in order to raise local revenues to finance education and government operations.

The fiscal impact of Proposition 13 on all segments of local government was serious and uneven, but it was especially harsh on the schools, including the community colleges, because of their great dependence upon the local property tax. State help was desperately needed, therefore, and so state bailout for one year was implemented after three weeks of intense negotiations. Under the provisions of the emergency legislation incorporated into SB 154, the state's bailout monies were apportioned on the basis of the expenditure level experienced by school districts, including community college districts, in fiscal year 1977-78, the year before the bailout. Because of the limited financial resources available, the effect was approximately a 9% reduction in total revenues from 1977-78 base for all districts. Since there was a serious decline in ADA in that year, the apportionment amounted to a 6% increase per ADA.

As a consequence, the expenditure disparities between districts which prevailed at the time and which were related to the heavy reliance on local property tax revenues, were maintained, even though the state assumed the costs of education equal to a high percentage of total costs. In the following year, 1979, AB 8, Greene, was enacted. It placed in the law a funding formula which was essentially based upon ADA and transferred about $800 million in local property tax revenues from the public schools to all of the other segments of local government, making up the revenue loss through an increase in the state's apportionment. The decision to implement the property tax transfer was predicated upon the expectation that state revenues would provide a more reliable revenue source than the local property tax--given the forecasts being made with respect to the effect of Proposition 13 on the future growth of the assessed value of real property.

Since the enactment of the Master Plan for Higher Education, the University of California and the California State University and Colleges have responsibly implemented the goals embodied in the plan. The University of California has maintained its monopoly of doctorate programs and professional degrees in law, medicine, dentistry and veterinary medicine, and California State University has developed responsible Baccalaureate and Master of Arts and Science programs and worked with the University in the implementation of cooperative doctorate programs.

The junior colleges have become community colleges and offer a wide diversity of educational programs, expanding significantly from the early sixties, when the principle emphasis was upon transfer education and vocational and occupational education in the areas of accounting, auto mechanics, aviation and the fine arts. Under the Master Plan, the junior colleges were expected, as a matter of economics, to provide collegiate education to approximately sixty percent of the lower division students in public colleges. Today, the picture has dramatically changed. In fact, approximately seventeen of the ninety community colleges

serve the vast majority of the transfer students, and many of the colleges serve few students seeking transfer education. In addition, the course and program offerings of the community colleges vary significantly, a reflection of the variation in the industrial, commercial, and agricultural character of California's diverse economy. There is a demand, because of this transformation and diversity of educational programs, for a meaningful evaluation of the "Community College Mission." The important aspect of this development is that the community college system did not come into existence as a clearly defined system with carefully delineated goals and objectives, and at the time of the enactment of the Master Plan in 1960, it was obvious and anticipated that the community colleges would have to respond to the needs of a rapidly developing and changing society. Flexibility, therefore, was an inherent criterion or guidepost for the development of the community colleges as educational facilities appropriate to the needs of our society.

It is not feasible, from my perspective, to simplify through the implementation of stringent goals and objectives, the mission of the community colleges in the state. Even a fully financed state system, governed and administered by a powerful Board of Governors and Chancellor, and operated under restrictive constraints embodied in complicated statutory law, would be extremely difficult to operate in a responsible and rational manner. It will be interesting to observe how the Legislature and the Master Plan Review Commission respond to this complicated, controversial, and substantive issue in postsecondary education.

PART II

COMMUNITY COLLEGE FINANCE
POST PROPOSITION 13 PERIOD

Perhaps the impact of Proposition 13 and the November, 1979, Gann Initiative to limit expenditures of state and local governments, including the schools, will prove to be the most significant change in the history of California public education.

The voters approved Proposition 13 overwhelmingly on June 6, 1978, out of frustration over the adverse effects of inflation and escalating property tax payments. They failed to appreciate the significance of their action. Lacking understanding and knowledge of the alternative option, they rejected Proposition 8 and SB 1, Behr, which would have granted significant tax relief benefits and not deprived the schools, local governments, and the state of the fiscal ability to provide proper and needed services to the public. The history of the effort of the Legislature to enact meaningful tax relief and reform legislation is interesting; unfortunately, from the public perspective the action finally taken was too little and too late. It is little recognized that approximately 23% of those eligible to vote approved Proposition 13, though about 62% of those who voted, favored it.

The Legislature recognized the need for property tax relief in the late sixties and initiated a modest program through the enactment of a homeowner's property tax exemption and a partial reduction in the business inventory tax. In 1972, SB 90, signed by Governor Reagan, increased the amount of tax relief and addressed the issue of school finance reform mandated by the Serrano-Priest Decision. As inflation and rising property taxes continued, however, it was recognized that more had to be done. In 1977, AB 65, Greene-Rodda, was enacted which significantly addressed the Serrano-Priest Decision and provided a modest level of local property tax relief. In the same year, two serious legislative efforts to enact greater property tax relief failed, and the Legislature adjourned in September, having taken no action on the tax relief-reform issue. Quickly, Jarvis and Gann qualified a tax relief initiative. Legislators and the Governor understood its drastic implications and a special session of the Legislature was called in order to place a responsible alternative on the ballot. No action was taken during the special session. In the regular session, however, the Legislature did place Proposition 8 on the ballot. Proposition 8, if approved, would have placed in the constitution an amendment to put into effect a property tax split roll--separation of the property tax on industrial and commercial property from that on residential property. The effect would have been to guarantee that the shift of the burden of the property tax from industrial and commercial property to residential property would no longer occur. In addition, the Legislature enacted, and Governor Jerry Brown signed SB 1, Behr, which would have implemented a property tax relief program in the magnitude of about thirty percent for all residential property, made even more substantive the tax relief for senior citizens who were homeowners and renters, and increased modestly the tax relief for other renters. It would have removed the costs of AFDC, SSI-SSP, and Medi-Cal from payment by owners of residential property. In addition, the state would have assumed the county costs of General Assistance. It placed, also, a responsible limit on government expenditures.

All of the benefits could have been financed by the state from its surplus, and over the years the benefits could have been increased without any impairment of government, state and local, services. A modest increase in corporate taxes was provided in order to finance the legislation to repeal the business inventory tax.

The media failed fully to inform the public of this action and so the voters were not aware of the importance and character of the option to Proposition 13 that was before them. The provisions of Proposition 13 were simple, though the implications were substantive and complicated, and little understood. It was enthusiastically embraced by those who voted.

In effect, Proposition 13 reduced the general property tax across the board to a maximum of 1% of the value of the property, or a $4.00 rate applied to an assessed value equal to 25% of market value. Increases were limited to a maximum of 2% per year as applied to the assessed value in 1975-76. Newly acquired or purchased property would be assessed at the value at the time of construction or purchase. No future increase in state or local special taxes could be implemented without a two-thirds vote of the Legislature and by two-thirds the voters in local elections. All future increases in property taxes above those authorized by the initiative were denied the state and local governments and voter-approved general obligation bonds at the local level were to be financed from revenues derived from the property tax as limited by the initiative. In effect, no property tax overrides were permitted.

The essential features and implications of Proposition 13 were significant:

(1) Gross inequity in property tax payments over time resulting from the taxation of newly acquired property at the current assessed value. Today, citizens occupying homes of the same value are paying tax differences equal to three or more to one--an inequity the Legislature never would have authorized.

(2) Virtual removal of the ability of local agencies, including the schools, to utilize general obligation bonds as a means of financing capital outlay needs--resulting in almost total dependence upon the state for school and local government construction needs.

(3) No assurance that the property tax increases over time would not continue to shift to the residential owner.

(4) A gross difference in the fiscal effect of the loss of $7.4 billion in local property revenues, of which the state reimbursed local governments through SB 154, the one year bailout bill, in the amount of about $4.4 billion--agencies suffering the greatest, including the schools, were those which had no authorization under the law to implement or increase taxes or to levy fees for services provided by the agency.

(5) No assurance that renters would receive a benefit from the property tax reduction.

(6) No tax benefit for low-income senior citizens who sold their homes in order to acquire smaller homes in retirement and would be subject to a higher property tax on the new homes than they were paying on the older property.

(7) An increase in the federal and state income tax payments because of the reduction experienced by property owners in their property tax deductions. The increase in state revenues which resulted enhanced the ability of the state to finance the bailout program.

(8) An increase in the fees charged by local agencies in order to obtain the revenues necessary to provide specific services, such as park service and maintenance, garbage collection, and building construction.

(9) The establishment of assessment districts to pay for local utility facilities, alternative payments to the property tax which are not tax deductible, and are, in effect, an indirect tax increase.

(10) A deterioration in the quality of the state's infrastructure-roads, jails, libraries, sewage facilities, etc., which will be difficult to correct, given the fiscal constraints now experienced by the state, cities, counties, and special districts.

Despite these negative effects, there was pressure upon the Legislature to do nothing in response to Proposition 13 and to "allow local governments and the schools to stew in their own juice." Ultimately reason prevailed and the Legislature enacted, SB 154, the fiscal bailout legislation--a one-year bill. In the following year, 1979, it enacted AB 8, Greene, which implemented an ongoing state financial assistance program, or a permanent bailout of the schools and agencies of local government.[2]

Proposition 13 Bailout and the Rising Interest in Community College Mission and Funding

The state's action to bail out local government and the schools, which increased the state budget expenditures from $11.7 billion to $16.2 billion in one year, placed an extremely heavy burden upon the state's fiscal resources. This problem was compounded by the Legislature which enacted a modest one-time tax relief program, increased renter relief, and partially indexed the personal income tax. The problem was aggravated in June, 1982, when the public approved two initiatives--one, which virtually repealed the inheritance and gift tax and, a second, which permanently indexed the personal income tax. The revenue losses which resulted were serious. The situation was improved in 1983-84 when state revenue enhancement legislation in the magnitude of about $1.8 billion was enacted under Governor George Deukmejian, whose administration would otherwise have been confronted with a $1.5 billion budget deficit in July of 1983.

Since the initial state response through bailout to Proposition 13, considerable change has occurred in the financing of local government, especially the schools, and, there is a possibility that the community colleges will experience the most dramatic change. Today, the Legislature is expressing serious concerns

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[2] The statistics are interesting, and the most relevant are those which indicate the revenue loss as a percentage of total revenues. For example, cities would have lost 8.7% of total revenues, counties 23.9%, the schools, K-14, 31.4%, and special districts, 9.2%. The effect upon schools, of course, varied dramatically since some were more dependent upon the property tax than others. If state revenues had not been made available through the enactment of the bailout legislation, SB 154, the Natomas Elementary School District, a wealthy district largely dependent upon local property tax income, would have experienced a decline in revenues from $2,326 per ADA to $806; whereas, the Del Paso Elementary District, a poor district substantially financed by the state, would have had a revenue decline per ADA from $2,300 to $1,126.

about the community college system, its role, its governance structure, its revenue sources, the formula for the distribution of revenues, the role of the faculty in governance, collective bargaining, and the duties of local boards of trustees. Basically, it appears to me that the viewpoint is rather negative and, in some respects, based upon an inadequate knowledge of the historic development of the community college system and its contribution to California public education.

When the state bailed out local governments and the schools, the effect was to reduce the total revenues, local and state, received by the community colleges by about 8% and the effect was most dramatic upon those districts which had, as had the Los Rios District, maintained a relative low property tax rate and were operating at a low expenditure level per ADA. Since bailout was based upon district expenditures in 1977-78, the low expenditure districts suffered the most negative effect of Proposition 13.

An effort was made to correct the disparity in expenditures among the districts through an equalization program, but it has not been adequately funded and the disparities continue to exist and are frequently reflected in the compensation paid to district faculty and staff. Furthermore, state funding has not increased at a rate comparable to that experienced by the two other segments of higher education and the community colleges have fallen behind in funding and have lost, therefore, the ability to maintain their historic standards of education. Given the changes which have taken place in the state's revenue raising capability and the potential effect of Gann II, the expenditure limit initiative of 1979, the deficiency in financial support for the community colleges may be difficult to address in the future. This discouraging aspect of the future with respect to community college funding may compound the potentially negative effects of significant changes in governance and the funding formula implemented as an alternative to that of ADA. Hopefully, the response of the Legislature to the recommendations of the Master Plan for Higher Education Review Commission will be carefully taken and only after a very objective evaluation, especially if they embody a program of drastic change in governance and funding and related aspects of the community college system.

The interest in the community colleges which led to the Master Plan Review surfaced in 1979 when AB 8, Greene, was enacted. During the negotiations on that legislation, there was an effort made, based on the recommendation of the Commission on Postsecondary Education, to eliminate the ADA funding formula through the implementation of a concept which was vague and not clearly delineated. After extensive negotiations, the ADA formula was retained in its basic form and a resolution of the issue was deferred. Important, however, as an element in the provisions of AB 8, was the transfer of approximately $800 million from property tax revenues which had supported the schools, K-14, to the other segments of local government--cities and counties and special districts. The revenue loss was made up by an increase in the state's allocation to the community colleges and schools, K-12. The effect, of course, was to make the schools even more dependent than they had been upon the state for funding. In fact, the state's level of support for the community colleges at that time was approximately 75%.

Once the community colleges became dependent upon the state for funding, the interest of legislators in community college funding and governance was enhanced. Although the level of state support has declined somewhat since 1979-80, it remains at an historically high level, somewhere in the 65% to 70% level. This

concern was enhanced because of the growing interest in the application of tuition to community college students, especially among the conservatives who were elected in 1978 and subsequently. Another issue which developed was the involvement of a number of community colleges in providing adult, non-credit education in competition with secondary schools. A previous effort to address this issue had only slightly reduced this competition and since the level of financial support paid by the state to the community colleges for such programs was higher than that paid to the secondary schools, the Legislature became signficantly concerned, given the fiscal constraints being experienced by the state. A commission chaired by former state Senator Peter Behr undertook to address the issue but it was unsuccessful. The competition prevails today, though the funding level of the high school and community college programs have been equalized, and the cost factor to the state is less serious, and, there is now less of a fiscal inducement for the community colleges to be involved in such programs.

During the controversy that developed over these issues, other concerns emerged and a significant one was the perception of legislators that the community colleges were not properly fulfilling their obligation to provide transfer education and were, therefore, failing in the performance of their original or basic mission. Additionally, it was perceived that the community colleges were inappropriately spending state revenues on remedial education programs which were more properly the obligation of the secondary schools. It was also perceived that the community colleges were offering courses which were tuition free to individuals who were merely pursuing personal satisfaction and enrolling in non-substantive classes, again at the cost of the state. The concern over these issues prompted an interest to emerge over the role of the Board of Governors and the office of the Community College Chancellor in providing meaningful direction to the system of 70 districts and 106 colleges. Because of these concerns, pressure developed for a complete evaluation of the community colleges: funding, governance, mission, and curriculum. The outcome was the creation of the Master Plan Review Commission and the creation of the Joint Legislative Committee on Higher Education.

The reviews being undertaken have a potential for dramatically changing the community college system of education in California. Hopefully, before such action is taken, the Legislature will understand the far-reaching ramifications of many of the proposed changes and those which will ultimately follow any action which produces a highly centralized system of education with respect to funding, governance and curriculum development and implementation.

After the enactment of AB 8, 1979, the major finance bill affecting the community colleges was SB 851, Alquist, and its implementation has helped. However, because of tight state budget constraints, the controversy over student tuition, and the determination on the part of many legislators to achieve constructive reform in the governance and financing of the community colleges, the community college districts have suffered financially. The statistics are rather revealing. For example, as a percentage of community college funding in the year 1977-78, the fiscal year before Proposition 13 was responded to through state bailout, the community colleges have experienced approximately a 39% total funding increase, state and local revenues, and 40% for all revenues. Since 1978-79, the bailout year, the increase has been approximately 50%. state and local, and 48% for all revenues. These percentages are based on the data

provided in the Analysis of the[3] State Budget for 1986-87 as prepared by the Office of the Legislative Analyst.

Fiscal year 1977-78 is a more appropriate base year upon which to project the fiscal impact of Proposition 13 because in that year community college state and local funding was approximately 8% higher than the following year, the year of the bailout. The percentage increase since 1977-78, therefore, more realistically measures the change in community college funding than the percentage increase over fiscal year 1978-79, the year of the bailout, and an 8% decline in total funding.

The fiscal situation is made more clear if one looks at the actual dollar loss to the community colleges. There has been about a 39% increase in community college ADA funding state and local, including the mandated student tuition, since 1977-78. As a consequence, there has been an erosion in the real income per ADA received by the colleges. Data provided in the California Roundtable Study of April, 1985, indicates that total state and local real dollar expenditures per ADA in fiscal year, 1985-86 were $1,353, as compared to $1,686 in fiscal year 1977-78. In real dollars--1976-77 dollars--that amounts to a $333 per ADA dceline, or a 20% reduction in real dollar funding.

In the 1986-87 Analysis of the State Budget by the Office of the Legislative Analyst, a less dismal fiscal picture is presented. Its evaluation of total ADA funding from 1977-78 to 1986-87 indicates that the decline in real dollars, or the value of the dollar in 1977-78, has amounted to only $202. The data utilized in Analyst Office document includes, not only state apportionment funds and local property tax and tuition revenues, but also federal and state grants, the lottery money, food service revenues, fees for community services, and nonresident tuition payments, or all revenues. Since the extra revenues included are subject to expenditure control and restrictions or are a payment for a specific service rendered, the data is less relevant as a measurement of the real dollar decline in revenues per ADA which are utilized primarily to finance normal costs of operation--instructional and administrative expenses.

When measured in terms of current dollars, the fiscal facts are more easily understood, but still quite distressing. The estimated increase in aggregate revenue dollars--state, local and student tuition payments--received by the community colleges from 1977-78 to 1985-86, as calculated by the Legislative Analyst, has been $503 million, or 39%. Inflation, as measured by the State and Local Government Price Deflator, which is commonly used to indicate the impact of inflation upon government agencies, has been approximataly 70%--the sum of the rates of inflation for each year. If U.S. Consumer Price Index annual increases are compounded, the inflation as measured for that period of time

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[3] The percentage increase in state General Fund support for the University of California since 1978-79 will amount to about 77% and for California State University it will approximate 83%. These are conservative estimates and are based upon the Analysis of the Budget by the Office of the Legislative Analyst for 1986-87 and the Governor's Budget Document for 1980-81.

factors out at approximately 82%.[4] If the 70% inflation figure is utilized, which is conservative, to measure the revenue shortfall between 1977-78 and 1985-86, the increase in revenues per ADA necessary to restore the purchasing power of community college funding to the 1977-78 level will amount to about $323 per ADA, or a total of approximately $230 million. Such an increase would equal about 18% of the ADA funding in 1977-78.

The actual decline in aggregate real dollar revenues, not revenues per ADA, is about $409 million. The increase necessary to restore the ADA real dollar value is, as stated above, $230 million. The difference between the $409 million figure and that of $230 reflects, of course, the decline in ADA since 1977-78--a decline equal to an estimated 66,000 units of ADA. The estimated funding per ADA--state, local and tuition--for 1985-86 equal about $2,759; when multiplied by 66,000, the ADA decline, the revenue loss to the community college system is approximately $180 million. These data indicate the negative implications of the current funding formula during a period of steady enrollment or ADA decline. Educational costs tend to be fairly fixed and it is difficult to adjust to a funding decline which is the result of an ADA loss, as well as an inadequate response to inflation.

An interesting aspect of the current budget support level deficiency for the community colleges is the mistaken impression the public has with respect to the revenue generated by the Calfiornia State Lottery. The frequently expressed view is that "...the schools are in good fiscal condition because they now have the Lottery money and they do not need additional state funding." The statement does not recognize the facts of the world of reality.

The estimate of the Legislative Analyst is that in fiscal year, 1986-87, total revenues--state, local and tuition--will amount to $1.931 billion and that the State Lottery will provide an additional $50 million, or a supplement in the amount of 2.5%. That is a revenue source which does not begin to address the problems which relate to the decline of real dollar support and the student enrollment since 1977-78. Just to adjust for the adverse effect of inflation would require an augmentation in community college revenues in the amount of about 18% of the 1977-78 ADA apportionment. This does not take into consideration the decline in revenue loss which has resulted from the loss of student Average Daily Attendance, which was estimated in the amount of 9% for this year and perhaps 8% next year.

Furthermore, it must be understood that the Lottery money distributed to schools may not be spent for the "...acquisition of real property and construction of facilities, financing of research, or any other noninstructional purpose." And, in addition, the Lottery revenue distribution must not be used to "supplant" regular school funding dollars; it is to be used only to "supplement" such revenues. These restrictions are clearly enunciated in the initiative the voters

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[4] If the Consumer Price Index increase since 1977-78 is used to measure the change in total revenues--state, local, and tuition--the revenue shortfall to community college districts as a result of inflation amounts to about $540 per unit of ADA. To offset that deficiency, a total augmentation to the community college apportionment in the amount of $350 million will be required. Such a increase, however, will not compensate for the revenue loss to the districts which have experienced a decline in student enrollment, or ADA. The increase necessary to offset that revenue loss, or decline, would amount to $213 million, based on current ADA projects for 1985-86.

approved in the following language: "...the net revenues of the California State Lottery shall not be used as substitute funds but rather shall supplement the total amount of money allocated to public education in California." These restrictions, which were purposefully included in the initiative by its supporters, clearly establish the fact that Lottery money will not address the current fiscal problems being experienced by the community colleges. It modestly mitigates a negative fiscal situation, but in no way provides a solution, as many of the citizens believe.

Given the lack of interest on the part of the present administration in providing an increase in the level of funding for the community colleges, one must recognize that there are some serious negatives confronting the system in the future. The negative implications are further compounded by the constitutional restraints upon the state government and the schools to increase state and local taxes. The restrictions are quite severe and are the result of Proposition 13 and Proposition 4, Gann II.

Today, the elasticity of state revenues is slightly greater than one, or unity, which indicates that general fund revenues derived from state taxes will increase each year, when the economy is operating well, at approximately the same percentage rate as that experienced by California Personal Income.

During the years prior to Proposition 13, the state's revenue elasticity frequently attained a level of 1.3 or 1.5 and consistently exceeded unity, or increased by 13% or 15% when state personal income increased by 10%. This decline in revenue elasticity is a result of the full indexing of the Personal Income Tax and the virtual repeal of the Inheritance and Gift Tax. As a consequence, when, during normal years of economic growth, the elasticity is 1.0, or unity, the elasticity can be expected to decline below unity, or to 0.9 or less, during a period of economic decline or the down phase of a business recession. During this fiscal year, the elasticity appears to be approximately 1.0 or unity. The revenue picture will become less favorable, of course, if the Legislature reduces significantly the unitary tax on multinational corporations. The state's revenue loss from that action could amount to $350 to $500 million per year, depending upon the provisions of the legislation.

These facts are not encouraging, but the situation is further and negatively aggravated when one reflects upon the potential impact of the expenditure reduction which must be implemented at the federal government level because of the mandate in the Gramm-Rudman Act for achieving a balanced federal budget. This could be serious for the state and all agencies of local government, including the community colleges, as the law is implemented in the future.

Also, of serious impact is the potential that the Gann Initiative Amendment, Proposition 4, 1979, which has not been relevant since 1980-81, may be triggered next year and thereafter hang over the state and local agencies of government. The Gann restraint applies to all budget apportionments financed through taxes and applies to all segments of government, state and local. No revenues in excess of the limit, which is equal to the level of appropriations made in the 1978-79 base year which were subject to the limit and adjusted annually for increases in inflation and population, may be spent. Inflation is measured by the Consumer Price Index or the percentage change in the California Personal Income, whichever is the lesser, and the population increase factor for the

schools is the increase in ADA as defined by the Legislature. The Gann limit applies to individual school districts and includes revenue apportionments derived from taxes and fees for service by the amount that revenues exceed cost of services. The initiative requires excess revenues be returned to the taxpayers within two years through a tax rate revision. The limit is complex and replete with uncertainties, but the intent is clear and the impact can prove serious and negative.

The Los Rios District may be adversely affected by the Gann limit because of a number of factors. When the Gann expenditure limit went into effect in 1979-80, the Los Rios District was funded at a low expenditure level per ADA. Since that fiscal year, however, because of the equalization provisions of SB 851, Alquist, the district has experienced an increase in its' apportionment from the state and is now closer to the statewide average expenditure per ADA. Thus, an increase in the Los Rios Community College District state apportionment may trigger the Gann limit as it applies to the district and freeze its' ADA expenditure at an amount below the statewide average. There seems a potential, therefore, for the Gann limit to constitute a block to any community college plan for finance reform which is designed to establish a statewide or uniform ADA expenditure level. If no equalization reform is undertaken, it may be possible, despite the limit, for the state to increase total community college funding, since the state has neglected the colleges and apportionments have failed to keep up with inflation.

The issue is further complicated because of the Gann Limit provision that if the school population (ADA) declines, the appropriation or expenditure limit must reflect that decline, just as it would reflect a population or ADA growth. Since some of the community college districts which have received an equalization apportionment have also experienced an ADA decline, the possibility of such district breaching the Gann Limit is enhanced--so it seems. In any event, the element of an ADA decline becomes a factor in making the Limit more restrictive and it also makes analysis more complicated and conclusions about the Gann impact speculative at best, given the many uncertainties about definition of terms and the relevance of current data.

The problem lies with the possibility that the state's poor community college districts, those with traditionally low expenditure levels, which have been brought closer to the statewide expenditure average will exceed the Gann limit, if action is taken to equalize district expenditure per ADA.

It is in this context that the Legislature will have to make some significant decisions. The provisions of SB 851, Alquist, will expire July 1, 1987, the end of the next fiscal year, unless it is reenacted, which means that the current ADA funding formula will terminate, as will the provisions requiring an effort to achieve greater equalization in ADA funding, or to bring up the level of funding for low-revenue districts.

The possibility, if not probability, is that the recommendations of the Master Plan Review Commission will be enacted into law. The commission currently is seriously considering a formula which I perceive to be a blending of the Full Time Equivalent (FTE) concept with that of Differential Funding. Certain categories of community college costs--administration, student services, equipment and supply purchases, maintenance, and others not directly related to

instruction--will be funded as separate categories, while teaching and counseling services will be funded on the basis of FTE, the formula which is utilized to determine the funding support for the other two segments of higher education. This funding reform may be embodied in a program for a change in community college governance which will enhance the powers of the Board of Governors and the role of the Community College Chancellor. The implication of the implementation of a significant centralization of funding and governance upon the ability of the different college districts meaningful to address the divergent educational interests and needs of their geographical areas, unfortunately, I believe, is not properly understood or appreciated. Furthermore, it reflects a concept for a transformation in the community college system of public education which is inconsistent with, and quite contrary to, the historic role and mission of the community colleges which has developed over the years through legislative action. Nevertheless, it is likely to occur and the implications will be serious and controversial. It seems obvious that a major factor which is accountable for this idea of reform is the fact that because of Proposition 13, community college districts are significantly more dependent upon the state as a revenue source. With revenue allocations, there is generally a determination on the part of the "allocators" to control and monitor the utilization of the revenues.

The Gann Limit and State Revenue Prospects-- Uncertainty and Confusion

It is interesting to examine the history of the Gann expenditure limit. It emerged because of the public's discontent over the growth in government expenditures and taxes in the seventies and, at the time of its approval by the voters, it was not viewed as a threat to sound government. Nevertheless, it quickly emerged as one when, at the end of the 1979-80 fiscal year, it became clear that the planned appropriations for fiscal year 1980-81, as provided in the state budget, were likely to violate the Gann limit. Action was taken June 30, the last day of fiscal year 1979-80, to enact an emergency appropriation bill, SB 1426, Rodda, which appropriated $126 million to the schools to make up a state apportionment deficiency and created an $82 million special fund for capital outlay expenditures. The legislation was signed by the Governor at about fifteen minutes before midnight and the appropriation become effective immediately and was not, therefore, subject to the Gann limit. Had the revenues not been appropriated and been carried over into the next fiscal year, 1980-81, as a surplus, Department of Finance calculations indicated that the state would have exceeded the limit and the money could not have been appropriated and would have been returned to the taxpayers.

Because of the effect of the business recession experienced in the years 1981-82 and the impact of the indexing of the Personal Income Tax, state tax revenues were inadequate to fund the state budget and appropriations were below traditional levels of increase. The result was that the Gann limit on appropriations did not apply and was practically forgotten.

The state's fiscal history since 1982-83 is interesting. During the first year of the Deukmejian administration, the state was confronted with a deficit equal to an estimated $1.5 billion. Since the California Constitution, Article XVI, Section 1, prohibits the state from incurring a debt in excess of $300,000 without approval of the voters, the problem had to be addressed immediately. Through executive action, the Governor reduced state expenditures and secured the enactment of urgency legislation which authorized the state to market Tax Revenue Anticipation notes and enhanced state revenues by accelerating the payment of a number of revenue sources, increasing the motor vehicle license fee, closing a number of tax loopholes, or tax expenditures, and implementing a General Sales Tax increase in the next budget year if statistical data indicated the likelihood of a year-end deficit. These actions, in addition to the enactment of a very austere budget for fiscal year 1983-84, eliminated the state's deficit, permitted the elimination of the short-term indebtedness, and produced a sizeable state surplus at the end of the fiscal year. The increase in state revenues amounted to about $1.8 billion, though the actions taken were not regarded by the Governor and the Department of Finance as constituting a tax increase, merely a revenue enhancement--a conclusion which some fiscal experts reject. In addition to these actions, and of significance, has been the improvement in the state's economy, which has increased the state's revenue elasticity, and, therefore, caused an enhancement in the state's tax revenues. So, the state finds itself today in a healthier fiscal situation. Unfortunately, however, the state is moving closer to the Gann limit, with statistics indicating that it is not far from being triggered.

As one reflects on the implications of the Gann amendment, one can visualize the negative effect it will have in the future if the current level of government services is maintained and the limit becomes an ongoing constraint on state and local government expenditures. Obviously an increase in services will not be possible at the state level of government nor with respect to some agencies of local government and, perhaps, some school districts. As a consequence, many currently underfunded programs will remain underfunded. Furthermore, if drastic reductions are implemented at the federal level in an attempt to balance the budget, federal funding for state and local services, including education, will be reduced, and the possibility of state tax increases to offset the loss will be restricted, since tax increases will provide revenues which may exceed the Gann limit and may not be appropriated. Even the utilization of existing revenues may be difficult, since if the limit is in effect, tax revenues in excess of the limit may be utilized only to provide tax relief. It is a complex issue and speculation about the implications for the future must be recognized as only speculation. Unfortunately, revenue and expenditure projections and analyses are traditionally more reliable than those of highly regarded weather forecasters, so the situation remains at best uncertain and at worst unfortunate. With the state's infrastructure deteriorating, with many school districts suffering fiscal problems, especially in the areas of construction and maintenance, and with city and county governments unable adequately to finance basic services and having to make drastic budget reductions, the situation is not too encouraging.

PART III

GOVERNANCE, FUNDING, COLLECTIVE BARGAINING, AND FACULTY TENURE

The Commission for the Review of the Master Plan is considering a number of proposals for improving community colleges. For a time, two governance concepts were under consideration: (1) Enhancement of the powers of the Board of Governors to provide more state and centralized control over the independent districts, and (2) Creation of twelve regional boards which would assume the administrative power of the local boards through the consolidation of the existing districts into regional districts. The second fortunately is no longer being evaluated, since it has been recognized as a non-viable option.

Also under consideration is abandonment of the Average Daily Attendance (ADA) funding formula, and some thought is being given to the withdrawal of the community colleges from the Code provisions which relate to tenure and collective bargaining--SB 696, Rodda-Stull, and SB 160, Rodda.

Governance

As one reflects upon the current status of community college district boards it is obvious that they have experienced an erosion of administrative and governing power because of the effects of Proposition 13. They may no longer raise local revenues to finance educational programs or for capital outlay and maintenance expenditures. As a consequence, they are now more dependent upon the state and the Legislature for funding and are becoming more subject to state direction and control. Proposition 13 has seriously reduced local autonomy and the concept under consideration for governance reform would further that transformation.

There are some problems which need to be resolved in the area of community college governance, and it appears that they need to be addressed from a statewide perspective. I have a concern, for example, over the manner in which community college admission standards have been established. I strongly support the idea of free and open admission policy, including those students who do not hold a high school diploma. I believe, however, that criteria for compliance with the open door policy contained in the education code have not been adequately defined or properly administered from the state's perspective. Perhaps, this is an area in which the Board of Governors might be granted some enhancement of its authority, if the meaning or intent of the "open door" concept is to be implemented properly. Another issue which perhaps might be delegated to the Board of Governors is the establishment of proper criteria for determining under what circumstances the community colleges should be authorized to provide non-credit education to adults. Now that the fiscal incentive to establish such educational programs has been removed through the establishment of almost the same ADA apportionments for high school and community college programs, it is, perhaps, less of a problem. Obviously, it is not a problem, as I understand the issue, in three community college districts where there are no high school adult education programs and the secondary schools do not wish to become involved in offering such classes. There is no competition,

therefore, and as long as that condition prevails, no problem. It is also my understanding that in certain community college districts some secondary schools would like to withdraw from adult vocational education and are soliciting the local community college district to assume that responsibility. Given these conditions, perhaps, the Board of Governors should be granted the power to establish and administer the criteria which would lead to a statewide plan, one designed to serve local educational needs in adult education and at the same time avoid unnecessary and duplicative costs.

There are several other areas in which the Board of Governors might be granted the power to establish, through meaningful cooperation and coordination with the community college districts, constructive and responsible statewide standards, perhaps, in remedial education, and academic and vocational course standards.

Two other areas about which considerable concern has been indicated are those of matriculation and articulation. These are not new issues; they have been under evaluation for many years. The problem of articulation has been constructively addressed by the Los Rios District through cooperative action between the District and the University of California, Davis, and California State University, Sacramento.[5] Similar success has been experienced in the area of matriculation through a cooperative effort between the District and the local high schools. Both cooperative efforts are recognized as having merit and are being considered as prototypes or models for implementation in other states and within California. Authorization for the Board of Governors to involve itself in the implementation of such programs could be accomplished in a positive way if the Board were given state grants to allocate to districts which had taken constructive action, totally at district expense, in the development and implementation of meaningful articulation and matriculation programs.

If a significant transformation in the powers and responsibilities of the Board of Governors is undertaken through legislative action, caution should be exercised. At the present time, there is much concern at the community college district level over the inadequacy of the communication which takes place between the Board of Governors and the independent district boards. If there is an enhancement in the responsibilities and powers of the Board of Governors, or even if there is not, this problem or deficiency must be corrected. It is not appropriate for the Board to be isolated from the independently elected boards. Perhaps, the establishment of a coordinating committee or council representing the State Board of Trustees might be considered. If established, there should be an assurance that the coordinating committee members, consisting exclusively of community college trustees, reflect the divergent character of the community college system with regard to the ethnic minority population, the variation in the size of community college districts, geographical location, and community diversity (economic and social).

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[5] Known as Transfer Centers, they are being financed in the current budget with state money. In addition to the Los Rios District, Santa Barbara College has one. ASSIST--Computerized access systems are also being financed by the state. They provide students with information about course offerings, major and minor requirements, etc.

The committee or council should be given the responsibility of maintaining a close and meaningful relation with the Board of Governors and the Community College Chancellor's staff. The council should be directly responsible to the State Board of Trustees; perhaps its members should serve as ex officio or regular members of the Board of Governors. It should be established that no significant action should be taken by the Board of Governors in the areas of educational policy and administration until there had been meaningful consultation and communication with the Coordinating Council. I prefer an exploration of this concept as an alternative to the proposal that appointed members of the Board of Governors serve with an equal number of local trustee members. Such a plan has, in my judgment, a potential for provoking internal Board controversy and, perhaps, even manipulation of the Board by rival educational factions within the community college system.

There is a generally expressed view within the community college system that the Office of the Chancellor of the Community Colleges should be given a degree of staff independence comparable to that allowed the administrative officials serving the Chancellor of the University and the President of the State University and Colleges. This is a responsible proposal and should be acted upon by the Legislature.

There should be a clear delineation of the role of the Office of the Chancellor and the authority and responsibilities of that office in relation to the duties and responsibilities of the Board of Governors. The absence of such a delineation has adversely affected the ability of that office to perform its responsibilities to the Board of Governors and the local boards of trustees.

As previously stated, since 1978 local community college boards have experienced a loss of power in the determination and direction of the state's community colleges. Unfortunately, because of the present orientation of those involved in the evaluation of the system, it is likely that there will be a further withdrawal of power from the local districts and a shift of power and influence to the Legislature and the Board of Governors. There are benefits to be derived from such a transformation, but there are also significant disadvantages. And it should be recognized that if it is carried too far, it will transform the local boards into non-entities and ultimately result in their demise, an unfortunate development. Since the beginning, the community colleges were regarded as an effective means for the design and implementation of postsecondary educational programs which would best serve the state's local communities, and the funding, of course, was to be provided primarily from revenues raised through the general property tax and the governance was to be assigned to locally elected boards.

It is my view that the only meaningful option with respect to governance will be to preserve the present Board of Governors and the Office of the Chancellor, and to enhance their power and ability more meaningfully to work with the present local boards in the design and administration of an educational program which serves both the needs of the state and those of the local areas. As I commented above, in the process of centralization genuine assurance should be provided that the local boards of trustees are involved in the administration and direction of the system. Perhaps, in this process of revision and reform the smallest and least efficient community college districts will be merged into adjoining local districts, but only after careful evaluation. It should

be recognized that any action taken in that direction, however, will be unpleasant and controversial.

Formula for Funding and Revenue Allocation

Closely related to the issue of governance reform is that of modifying the funding formula and the legislative process which is involved in the determination of the appropriate funding level and the allocation of the authorized expenditures. A serious departure from the ADA approach will have a significant effect upon the community college decision-making process and a potential for drastically shifting to a centralization of community college administration. A brief examination of the history of community college funding will contribute to an understanding of that potential.

In 1917 the state provided its first financial support to junior colleges, which then were a part of the secondary or high school system. It was in 1921 that independent junior colleges were authorized. The important fact is the funding formula was that of ADA. Until Proposition 13 the colleges were primarily funded from the local property tax. In the late fifties, for example, only about 30% of junior college funding was derived from state apportionments. The Master Plan recommended that the state's share should be maintained at about 45%, a level never achieved. Since local tax revenues provided the bulk of the financial support for the public schools, K-14, the ADA formula for revenue allocation seemed reasonable and responsible. State money, basic aid and equalization, was apportioned without any control over its use and the revenues collected, state and local, K-14, were allocated by the local boards to fund educational services, faculty and non-faculty, student services, school maintenance, and miscellaneous costs.

Funds to finance capital outlay costs for school construction were derived from the sale of general obligation bonds which had been approved by the local citizens and were redeemed from local property tax revenues. It was not until the 1950's that the State Allocation Board was established and the state became involved in contributing to the construction costs of the state's relatively poor school districts. State support was provided only, however, after a district had received voter approval of an indebtedness which exceeded a given percentage of the assessed value of the district. Even moderately wealthy districts, therefore, failed to qualify for state assistance.

Under this funding program the state allocated revenues to the community colleges based on ADA and district wealth, and also provided, under specified conditions, state money for capital outlay. In the 1960's, categorical aid programs developed and since that time significant state funds have been apportioned to grades K-14, though the apportionments to the community colleges have been modest. For grades K-12 it amounted to approximately $1.2 billion in 1984-85 and included bilingual-bicultural education, the Master Plan for Special Education, Early Childhood Education, and many others. The funds apportioned under categorical aid programs are subject to strict expenditure control and careful state monitoring and review.

The current law for community college funding is fairly simple. There are two basic apportionments: ADA or base apportionments and categorical aid programs. In 1985-86 the total ADA apportionment was approximately $1.098 billion and $90

million for categorical funding. Except for categorical aid allocations, there is very little legislative control over the districts with respect to the expenditure of the state's apportionment, basic and equalization aid, local property tax revenues not earmarked for debt reduction, or the lottery money, which may be used for any purpose other than school site acquisition, school building construction and rehabilitation.

When the ADA funds were largely derived from the property tax and the amount depended upon the local property tax rate and the assessed value per ADA, there was a reasonable acceptance of the ADA approach to funding. In 1978-79 the California Postsecondary Education Commission (CPEC), as previously mentioned, did suggest that a more suitable formula be developed, though it offered the legislature no specific concept for implementation as a reform. Today, the ADA approach is subject to criticism for a number of reasons, the principle one, of course, is that it deprives the state of meaningful control over community college expenditures. So, a plan, which I view as a combination of the Full Time Equivalent (FTE) and Differential Funding, is being given serious consideration as an alternative to the ADA approach.

There are obvious deficiencies in the present ADA apportionment formula and, therefore, there is a desire for constructive reform. One of the deficiencies is the inequity in the distribution of state funds--a problem being addressed under current law, as previously mentioned, but still an issue and one which will become more acute if the community colleges are made fully dependent upon state revenues, as some are advocating.[6] Another problem is the difficulty encountered by districts in adjusting to serious ADA declines. An historic one, as previously mentioned, is that of slippage--the relative decline in state support as local revenues from the property tax increase.

Recognizing the problems which traditionally have faulted the ADA concept, one, nevertheless, must caution those seeking change to recognize that unforeseen problems may develop if an alternative is adopted without careful evaluation of its implications.

The hybrid, as I refer to it, or combination of FTE and Differential Funding, bears careful scrutiny and evaluation. It offers numerous options for its implementation and there are many complex issues to be resolved in the formulation and implementation of such a funding program. The first will be to determine the categories into which the total dollar apportionment will be divided. A moderate and frequently discussed suggestion includes the following: (1) Instruction, (2) Organized activities which relate to instruction, (3) Library Services, (4) School Administration, (5) Student Services, and (6) School Facilities Operation and Maintenance. In addition, the creation of a small school district supplementary fund might be considered as a means of addressing the special costs experienced by such districts. Under any circumstance, it would be controversial to establish.

Once agreement is attained on the appropriate categories, the problem will be to determine the factors necessary to establish a reasonable and responsible

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[6] One wonders about the impact or effect of the Gann limit if the community colleges become fully dependent upon state tax revenues and no longer receive property tax income. Do the districts remain a local agency or do they become agencies of the state?

basis upon which the dollars will be allocated to each fund. Very important will be the FTE or instructional load factor. Within the other two segments of higher education such calculations are less complicated, since the two university systems are highly centralized in their administration and there is considerable uniformity in the level of fiscal support for comparable educational programs within the two systems. The problem becomes complex when such determinations must be made for a system consisting of 70 districts which are autonomous and quite diverse in terms of cost factors and educational program offerings.

An interesting outcome may be continuous pressure from the different educational interests within the community college system for an increase in the number of differential funding categories and a careful earmarking of such revnue apportionments.

It is obvious that a transfer to an FTE and Differential Funding program for the community colleges will enhance the power of the Board of Governors. It appears that governance and funding formula reforms both have an orientation toward centralization.

A brief review of the budgeting process as it relates to the University of California and the California State University is interesting because both systems are financed in a manner which is quite comparable to that being discussed for the community colleges--a blending of FTE and Differential Funding.

Under the budgeting procedure for the University, there are about twelve program classifications which are considered in the budget process. Four--instruction, research, public service, and academic support--are directly related to the education and research functions of the University. Those programs identified as relating to teaching hospitals, student services, institutional support, operations and maintenance, and student financial aid are essentially support services for the four which I have classified as primarily relating to the instructional and research activities of the University. The remaining are not as closely related to the education and research responsibilities of the University.

The University budget is developed by the President's office after the staff has evaluated the fiscal needs of the University with the Chancellors of the University campuses. Once it has been finalized and approved by the Board of Regents, it is submitted to the Governor and evaluated by the Department of Finance. After review by the Department of Finance and approval by the Governor, it is incorporated into the state general fund budget and submitted to the Legislature, an exception being employee salary compensation changes.

The expenditures authorized by the Governor's budget also include allocations for capital outlay, those for the University system and the individual campuses.

In the process the total appropriation necessary to finance the costs to the University of instructional services is established as an amount which reflects the University's estimate of FTE. After the Legislature reviews all proposed University expenditures on a line-by-line basis and agreement is achieved between the two houses, the agreed upon expenditures are made a part of the total state budget.

After the entire state budget is acted upon by the two houses of the Legislature and forwarded to the Governor by a two-thirds vote, the budget is

reviewed by the Governor's office. All items which are not approved may be vetoed and the remainder of the budget signed into laws. Veto items may be overridden by a two-thirds vote of both houses of the Legislature, but this is seldom done. Once the total state budget is approved, the action taken is reviewed by the Board of Regents and appropriate programmatic support funds are allocated to the University campuses on the basis of enrollment, educational programs, research, and other activities in which the individual campuses are involved. The Legislature and the Governor also make the final determination with respect to budget appropriations for employee salaries and benefits.

The budget process for funding the two University systems is essentially the same. One significant difference between the two systems of higher education is that the powers exercised by the Regents are authorized in the California Constitution, a provision which assures the University academic freedom and autonomy. The protection is in Article IX, Section 9(a) in which the University is defined as a "public trust" to be administered by the Board of Regents with full powers of government and administration. The Legislature has attempted on several occasions to impose its will upon the University, but the constitutional language has thwarted such efforts, and the University of California remains a fairly independent and autonomous institution of higher education.

The Board of Trustees of the State University system does not have such autonomy with respect to its role and the Legislature has, therefore, the power to establish the level of tuition, as is the case with respect to the community college system. Fees for student services, other than education, however, may be determined by the State University Board of Trustees.

When the Master Plan was being enacted, there was pressure upon the Legislature to provide the same constitutional guarantee of academic autonomy for the state college system, as it was known then, but the idea was rejected by the Legislature after serious deliberation. So California State University operates under statutory law and is subject to significant legislative control.

As previously stated, the funding formulas for the University of California and State University California are similar to that referred to as FTE and Differential Funding, since the budget for each is evaluated and approved in terms of the fiscal needs with respect to broad categories of function and activities and the instructional services provided the students.

The FTE expenditure is the dollar amount allocated to finance the University's educational programs as measured by the number of units for which students are enrolled, and is not related directly to instructor supervision. That differs from the ADA formula, which is a measurement of the number of class hours enrolled in under the direct supervision of a certificated instructor. The funding level for units of ADA is established by statutory law and the public schools, K-14, therefore, are assured each year a minimum level of funding. Increases over the formula or reductions below the formula require legislative action, either budgetary or statutory.

In addition to the acknowledged deficiencies in the ADA funding formula, there is some criticism of the formula as it applies to the community colleges because it is viewed as encouraging districts to seek enrollment increases in instructional areas which are low cost and popular and districts are known to

avoid offering high cost courses which are low in popularity, though of importance educationally. These perceptions of district behavior account, it seems, for the determination of some members of the Legislature to move to an alternate funding formula and for the interest in the Differential Funding concept and the fact that Chancellor's Office has recently submitted to the Legislature a carefully evaluated Differential Funding formula.

Such a change in the budget process will be interesting. Today, the Legislature, in cooperation with the Governor, determines the total appropriation per ADA for educational services and the funds to be allocated for categorical programs, capital outlay, expenditure equalization, faculty education and training and similar costs. The big category, of course, is the total ADA apportionment and once the dollar amount is established, the funds are allocated to the districts through the Chancellor's Office on the basis of ADA data. The revenues received by the districts are then appropriated by the local district boards which are subject to state controls of a moderate character and primarily with respect to special and categorical aid apportionments.

Under the new plan, once the differential categories are established and the appropriate level of funding is determined for each category and the administrative rules delineated for control at the district level of the state's apportionments, it is reasonable to expect that the revenues will be allocated through the Office of the Chancellor. It also seems reasonable to expect that if closely drafted funding restrictions are developed and implemented, the Legislature and the Governor will determine to a greater degree than currently is the case how apportionments will be allocated to and by the districts for instructional programs, administrative activities, school maintenance, and library and student services, etc. If this does not occur, then the Differential Funding approach will function so loosely that it is questionable whether or not it will serve the objectives envisioned for it.

It seems reasonable to assume, once the funds are allocated to the districts, whether directly or through the Chancellor's Office, that the districts will be required to conform to the standards or guidelines which have been drawn as a means of providing appropriate utilization of the various funding sources. I maybe somewhat negative in my analysis, but it seems to me, as I previously observed, that there will be incentives from within the system and also within the Legislature to expand the number of differential categories and carefully to monitor the effectiveness of the criteria established for regulatory control of the revenues allocated to the districts by the state.

Movement in this direction represents a move from what I regard as a "general revenue sharing" approach to community college funding, now in place under the ADA formula, to a comprehensive program of "categorical aid funding." An interesting question will be the determination of how a FTE formula will be applied, given the wide range of differences prevailing among the community colleges with respect to salary schedules, current ADA apportionments, needs in the areas of equipment, library and student services, etc. Obviously, the local administrators and district boards will experience a significant reduction in their capacity to make decisions relating to school financing priorities.

Assuming that a march from decentralization to centralization ultimately will be completed, the question which one might ask is: Will such enhanced control by the Legislature and the Board of Governors prove more effective and

insightful in understanding and responding to the educational needs of the 70 college districts, the 106 college campuses, the innumerable college centers and outreach programs, and the wide diversity of student enrollees, whether transfer, nontransfer, vocational and technical, and minority or nonminority? Only time will provide the answer.

Reflections on Implementation of FTE As a Finance Mechanism or Formula

When one reflects on the ADA formula used for the distribution of school apportionment funds, one recognizes its serious defects, most of which have been previously mentioned--negative effect on the curriculum, adverse effect during a period of declining enrollment, significant differences in district expenditure levels, inadequacy with respect to financing small school districts because of heavy fixed costs, and variation in faculty employment practices and compensation. It is easy to understand, therefore, the almost hysterial demand for a reform and the implementation of an alternative formula, with principal emphasis upon the FTE concept. The recommendations of the Master Plan Review Commission are strongly for such a change. A reading of its recommendation, however, indicates that it is a concept which has been recommended only in general terms. For example, in a recent report to the Joint Legislative Committee on the Master Plan Commission recommendations by legislative staff the following generalizations were presented:

(1) abandonment of the current support budget formula,

(2) implementation of nonstatutory budget instructions,

(3) development by the Board of Governors of a "differential funding" system,

(4) the Governor and Legislature to substitute FTE for the ADA formula for the determination of the state's community college apportionment,

(5) the Board of Governors to develop a funding mechanism or method to reduce the adverse effect of enrollment changes--gains or losses.

It was suggested that the budget recommendations combine to " ... propose a budgetary system analogous to that employed by UC and CSU."

It was also recommended that the Legislature authorize the Board of Governors to allocate state support among the colleges and that the goals of providing greater funding stability, less immediate connection to enrollment shifts, and flexibility in stablishing equity between districts and programs be recognized as worthy goals and objectives.

Reflecting upon these recommendations, a number of thoughts came to mind. It was specifically recommended by the Commission that local property tax revenues be retained by the community colleges and that state apportionments vary in accordance with fluctuations in local revenues. Contrary to what some finance specialists concluded in 1978-79, the local property tax revenues have tended to become relatively more important, despite Proposition 13, to local school

districts, and, as previously mentioned, have become recently a larger portion of community college funding. This trend is expected to continue so the colleges will gradually experience a greater dependence upon the local property tax as a revenue source.

If the local revenue source from the property tax is retained by the community college in the implementation of a new school funding formula, an interesting question is raised: Will the new FTE formula consist of a mechanism to determine state apportionments only and will local districts be authorized to utilize property tax revenues to augment the state allocation without the necessity of compliance with expenditure criteria established by the Board of Governors? If such a funding concept is placed in operation, local property tax revenues could be added to the FTE state apportionment and used to augment expenditures for instructional services. The result, of course, will be an assurance that college expenditure disparities will continue, local salary levels will vary and different full-time vs. part-time faculty employment policies will continue--all on the basis of local college board decisions.

The effect will be for the FTE formula merely to provide an alternative mechanism to the ADA formula for determining the level of state support for the community colleges. It would not assure the establishment and implementation of a uniform statewide expenditure level for instructional purposes.

There is another option, however, which might be considered. It would be to deny the independent college districts the freedom to use local revenues as an augmentation to the FTE apportionment. In other words, the FTE allocation would become by virtue of state regulation both an apportionment level and a statewide educational expenditure level. Under such a funding program, local property tax revenues would be calculated for each district and applied to the FTE apportionment and on the basis of that calculation state revenues would be allocated to each district at the appropriate level and vary in accordance with property tax revenue disparities, as they do under an equalization formula. In effect, it would establish each college district's total property tax revenues, determine the level of funding necessary to finance the differential funding categories and the FTE allocation and then deduct from the revenue calculation all local revenues and establish the state apportionment at that level--difference between need and local revenues. Such a determination could be made by the Community College Chancellor's Staff based upon the criteria determined by the Board of Governors.

The result of such a funding approach would be the elimination of expenditure disparities, or compliance with the Serrano Decision, a strong likelihood of a statewide salary system and a greater incentive to implement the HEERA approach to collective bargaining. The impact on small colleges would be difficult to determine, though the plan could provide for a different FTE formula for districts with less than a 3,000 ADA level or a special differential funding formula. The implication of such an approach to community college funding would be the emergence of controversy and, perhaps, serious consideration of the elimination of small college districts.

With respect to a change to the HEERA collective bargaining law, it must be noted that if the first option is favored, collective bargaining on a statewide basis with the Department of Finance would be difficult. The outcome of the

negotiations would be a statewide faculty salary schedule which would have to be renegotiated at the local level if any degree of district autonomy is to be granted with respect to the utilization of local property tax revenue--now equal statewide to about 30% of local or district expenditures. Such an arrangement seems contradictory to the concept embodied in a statewide bargaining procedure. Of course, if the second option is implemented and local district revenues are considered in the final determination of the state apportionment and no local property tax revenue augmentation is authorized, a statewide salary schedule makes sense.

Centralization of funding and expenditure allocations, it seems, is the logical step to take in the elimination of local employer-employee negotiations. And any determination to reject such an eventuality will require, it seems, the preservation of local district and the issue will be substantive, complicated and controversial. Centralization will dramatically change the image and character of the state's long-established Community College System. The achievement of that goal may require incremental change, but the control change will not be recognized as incremental.

Collective Bargaining and Faculty Tenure

Current discussions are focusing upon a significant modification in the current law as it relates to collective bargaining and, also, to faculty tenure. Such legislative action would result in an historic change in the status of community college faculty, who are primarily instructors and are only modestly engaged in research and publication, and should be fully examined before being undertaken.

Within the University of California there were, under the Higher Education Employment Relations Act (HEERA), 26 bargaining units in 1984-85, some system-wide and some limited to individual campuses. The faculty at only one campus, Santa Cruz, agreed upon the use of collective bargaining and only to resolve Santa Cruz campus issues. Collective bargaining for the University system was rejected by the faculty at Berkeley and University of California, Los Angeles, and no action was taken on the other campuses. The 26 bargaining units which represent non-faculty employees were approved in order to engage in negotiations relating to salaries and employee benefits.

In the California State University system, however, all of the employees, faculty and non-faculty, elected to negotiate in accordance with the provisions of the HEERA and are operating under the collective bargaining act.

In both systems where bargaining units are authorized by the Public Employees Relation Board (PERB), negotiations are conducted by the representatives of the employee groups and the Department of Personnel Administration, which represents the Governor. Once agreement is achieved, a Memorandum of Understanding (MOU) is entered into and submitted to the Legislature. If action is taken before May 1, it can be considered by the Legislature as part of the regular budget process. If agreement is reached later, the MOU is considered separately and acted upon, either in the form of rejection or approval. If the MOU is rejected, those involved must return to the bargaining table for renegotiation. If the MOU is approved, the agreed upon fiscal and statutory changes become

effective after appropriate action by the Legislature and the approval of the Governor. Any provisions which do not apply specifically are then acted upon by the Regents or the Board of Trustees. The faculty at the University of California have preferred to continue the negotiation of employer-employee relations agreement through the well established institutional process of shared governance, which was never developed and implemented as effectively in the California State University system.

The bargaining units for California State University employees are all statewide in their representation and the scope of their negotiations. Among the California University employees, of the 26 bargaining units, 8 are statewide, 10 are confined to individual campuses and 8 represent special segments of the university system--laboratories, health-care facilities, and printing plants.

One can visualize, perhaps, the complexity of implementing community college collective bargaining under HEERA given the fact that there are seventy college districts, one hundred and six campuses, significant salary and fringe benefit differences, different levels of funding for the college districts, and an increasing reliance upon the property tax for district funding.

If the community college faculty and non-faculty are withdrawn from the provisions of SB 160, Rodda, the collective bargaining law, it should be recognized that the outcome very likely will be greater centralization of another and significant area of community college governance and administration since. The option under consideration is to place the community college employees under the Berman Act, or the HEERA. Such a change, if taken, will very likely result in the implementation of a statewide salary and employee fringe benefit program and a transfer of collective bargaining negotiations to the state level. That is the procedure for the other two segments of higher education and was provided so under the Berman Act.

The community colleges were placed under the provisions of the Rodda Act because the structure of governance was identical to that of the other segment of public education, K-12, where local control prevailed and all decisions were between the local boards and the local employee negotiating unit. The Berman Act took into consideration the fact that higher education employee compensation and benefits were established on a system or statewide basis and after negotiations with the two governing boards and with the state government, since the funding was primarily from the state and salaries and benefits were provided in the state budget, as I have earlier noted in this paper. Salaries and benefits for the employees of the Board of Governors and the Chancellor's Office are determined, also, as a part of the state's budget process, since they are state employees. Community college employees, certificated and non-certificated, are local district employees, and all decisions relating to their compensation, fringe benefits, and retirement benefits are made by the district boards after district negotiations.

The proposed transformation to the provisions of the Berman Act will produce many complex and controversial issues. It will be impossible for the Department of Finance and the Legislature to negotiate with each individual district board over the above-mentioned issues which are included in the scope of bargaining under the Berman Act. Of course, the role of the Academic Senates is more clearly defined under the Berman Act than under the Rodda Act, and there will be a transfer of responsibility in certain specified areas to the district Academic Senates and the state or community college Academic Senate.

The community college academic senates and faculty councils were provided protection in their role as it related to "academic and professional matters," but the language in SB 160, the Rodda Act, was very general, the reason being that the responsibilities of the community college academic senates and faculty councils when the legislation was enacted remained to be defined and established. They existed, but their involvement of governance was unclear and in the process of development at that time, 1975.

The question is: What is envisioned by those who advocate this change? It appears, from my perspective, to be a statewide negotiating unit for the employees, a statewide salary and benefit system, including health and retirement insurance, and a statewide Academic Senate representing the Academic Senates on the seventy community college campuses, all of which are to be involved in resolving issues which relate to "shared governance?"

The issues to be resolved are substantive and will require the enactment of a carefully drafted, comprehensive statute if they are to be properly addressed.

Again, as I have observed, it will move toward centralization and the virtual elimination of district board decision responsibility in a very important area of govenance. I suppose that if the Board of Governors negotiates a statewide salary program and it is approved by the Legislature and Governor, the dollars will be allocated to the districts to supplement their local revenues. The districts will then negotiate with their employees within the funding limits established in the state budget for salary benefits and compensation. The negotiated settlements may vary from the collective bargaining agreement achieved at the state level.

As a legislator who authored SB 160 and was significantly involved in Senate Education Committee amendments to the Berman Act which were designed to protect the role of the Academic Senates, I foresee tremendous implications and controversy in connection with legislative action necessary to make appropriate changes in the law to implement the concept being considered.

The Berman Act, as approved in the Assembly, provided little or no protection for the role of the Academic Senates. In the Senate, changes of a controversial character provided such protection, especially for the California State University system. Inclusion of the community colleges in the Berman Act will involve the Legislature in the enactment of a comprehensive and controversial change in existing law.

Tenure and Professional Classification

There is also under discussion the idea of removing the faculty from the provisions of the state tenure act which relates to Community Colleges. The act was SB 696, 1971, Rodda-Stull, and the legislation was a result of an effort in the late sixties by conservative legislators to weaken the tenure status of teachers in public education, grades 1-14. The outcome was that two laws were enacted, one, the Stull-Rodda Act, which applied to grades K-12, and SB 696, Rodda-Stull, which applied only to community college faculty.

The Rodda-Stull Act authorized community college governing boards to terminate probationary teachers "without cause" after the first year of teaching and to grant tenure after the first or second year of employment. It authorized the use of an arbitrator or state hearing officer to make the final decision on teacher termination, thus eliminating the historic role or responsibility of the Superior Court in that regard. It required an annual evaluation of probationary faculty and an evaluation at least every two years for tenured employees.

If the community college faculty are given the responsibility for the evaluation of their colleagues, as is the case in the other two segments of higher education, and a withdrawal of the community colleges from the provisions of SB 696 is authorized by a change in the law, the community college teachers can expect a dramatic change in their current employment status.

The status of California State University and College faculty is quite different from that of the community college faculty. In that segment of higher education, there are three categories of employment for the full-time staff: Assistant Professor, Associate Professor, and Full Professor. Within each level there are four years of merit compensation increases before a professor attains the maximum level of compensation. Promotion to the next higher level is not automatic. Such transfer in status requires peer review and recommendation and will occur only if funding of the college will provide the revenue necessary to finance the transfer. Because of the state's fiscal problems many of the present faculty have been positioned at the Assistant and Associate levels for considerably more than four years. Revenues for promotion have not been available.

The faculty in the community colleges could expect their permanent status, given the repeal of the tenure law, to be limited to from four to six years, and the renewal of their status, also, would require favorable peer review. Involved in such decisions, of course, will be the administrative personnel, primarily the college president, at each campus, as well as the faculty.

If such a change is introduced into the education code, the specific conditions of the new law will have to be embodied in the legislation, and unquestionably it will be necessary to assign the Board of Governors a significant responsibility in the establishment of statewide policy and regulations. Again, there will be a significant movement toward centralization and a reduction in local autonomy.

The current protection with respect to tenure and local district responsibility for determining merit pay under a local salary schedule will be eroded considerably.

Given the complexity of the current situation which confronts the community colleges, their funding and governance, it seems appropriate to evaluate each of these aspects of community college education most carefully. Caution should be exercised in any action taken which is designed to modify or change the historic governmental structure and funding formula. It is recognized that the community colleges have served the state, local communities, and the students, well. Change for the sake of change should not be the agenda. Change should be achieved only if it is constructive--enabling the community colleges better to implement their goals and objectives which have developed over time in response to California's changing society.

It is inappropriate, from my perspective, to attempt dramatic changes in the law as it relates to tenure and collective bargaining. If changes are regarded as worthy of consideration, that consideration should not be undertaken until and after the core issues which relate to a clarification of the mission and the means by which that mission may be better achieved through changes in funding and governance have been addressed.

The original Master Plan legislation contained no provisions for, or reference to, either of those issues: tenure and collective bargaining. Had such controversial issues been incorporated into the Master Plan legislation, authored by Assemblywoman Donahoe and known as the Donahoe Higher Education Act, they would have generated serious controversy and might even have brought about the rejection of the Master Plan legislation by the Legislature.

The Transition: Local Government Control of Community Colleges to State Government Control

Community college districts, originally junior college districts, were created at the local level by action of the local school district boards and the voters. The principle support for the districts was derived from the local property law, and decisions regarding the nature of the educational programs were made locally and reflected the local citizens' awareness of the educational needs of the community. The districts were subject to the educational oversight of the Department of Education and the State Board of Education. After the implementation of the Master Plan for Higher Education the community colleges, as they became known, were placed under the Board of Governors of the Community Colleges and the Office of the Community College Chancellor. The Board, however, was given only modest power and was regarded primarily as a cooperative agency with the ability to provide the community colleges with the sense of direction and orientation which best served the state interests, as well as the local educational interests and needs. The local boards remained autonomous and independent. They determined the expenditure level per unit of ADA, the need for capital outlay, the quality and character of the curriculum, employment practices, employee compensation, administrative direction and philosophy, educational goals and objectives. It was a pretty good system--served the needs of the local community and also the state. Some of the 106 colleges offered non-credit adult education; some did not. Some provided a high percentage of transfer students to the other segments of higher education; some provided a much lower percentage of such transfers. Some districts provided greater remedial education than others. Some districts were inclined to employ a greater percentage of part-time faculty; others placed a greater emphasis upon full-time faculty. Matriculation and articulation programs were better in some districts than in others. Salaries for faculty employees varied significantly, as did expenditures per unit of ADA. It was an interesting system; it responded to California's very diverse character: population, geography, population density, economic needs, ethnic minority characteristics, and local educational philosophy and interest.

How far will the trend go as the State of California pursues goals and objectives which have an orientation toward a centralization in the funding and governance of the community colleges?

Will local districts have to conform to state established educational standards and course offerings? Will there be a statewide salary schedule and strict hiring regulations? Will the establishment of new campuses and centers be subject to Board of Governors approval? Will regulations and mandates govern remedial education courses, articulation and matriculation, and student admission requirements?

It will be difficult to establish a meaningful line of separation between local autonomy and state governance. I do not think that the choice before the Legislature is one between a rigid state system and a potpourri of independent, regarded by some as irresponsible, local entities. There is an opportunity for change and improvement while preserving the essential "mission" of the community colleges, which is to serve the unique and essential educational needs of divergent communities and, while doing so, to respond to the educational goals and objectives of the state as they continue to develop and change over the years.

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